

PUBLIC SAFETY

PERSONNEL RETIREMENT SYSTEM

*Thirty-Seventh
Comprehensive
Annual Financial
Report*

A PENSION TRUST FUND

OF THE STATE OF ARIZONA

37

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

A PENSION TRUST FUND
of the State of Arizona

THIRTY-SEVENTH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2005

This report was prepared by the staff of PSPRS

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THIRTY-SEVENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

THIRTY-SEVENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED

JUNE 30, 2005

Fund Managers' Report

Letter of Transmittal

Certificate of Achievement for
Excellence in Financial Reporting

The Retirement Board and
Administrative Organization

Organizational Chart

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN
ELECTED OFFICIALS' RETIREMENT PLAN**

3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016

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Interim Administrator

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FAX: (602) 255-5572

Tracey D. Peterson, C.P.A., CFE
Interim Assistant Administrator

October 5, 2005

The Honorable Janet Napolitano
Governor of the State of Arizona
State Capitol
Phoenix, Arizona 85007

Dear Governor Napolitano:

The Fund Manager of the Public Safety Personnel Retirement System (PSPRS) respectfully submits the Thirty-Seventh Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005 (FY'05), in accordance with the provisions of A.R.S. Section 38-848.

As of June 30th, we must report that, despite the fact the PSPRS has earned above market returns over the past two years, its financial status has deteriorated markedly since June 30, 2001. At that point in time, the PSPRS funding ratio was 126.9%; at June 30, 2004, the ratio had declined to 92.4%. Now, as of June 30, 2005, the funding ratio is down to 82.1%. Of course, as the System has moved from a position of surplus assets to one of asset deficiency, the required aggregate employer contribution rate has increased (See below for further discussion). The employee rate, on the other hand, is fixed by statute at 7.65%.

To fully understand the change in the PSPRS financial status, some historical perspective is needed. During the 1990's, PSPRS annually generated investment returns well in excess of the System's actuarially assumed rate of 9%. As a result, throughout the decade and through FY'03, the System was more than 100% funded. Since excess assets (just like unfunded liabilities) are expressed as a level percent of payroll and amortized over a rolling twenty year period, those excess assets had the effect of keeping the required aggregate employer contribution rate abnormally low. For example, based on the PSPRS FY'01 results, the computed aggregate employer contribution was only 3.75% (4.46% when the statutory minimum rate per employer was factored in). However, the employer "normal cost" (i.e., the employer share of the cost, expressed as a level percent of payroll, of the addition to liability that resulted from the covered participant group's service credit accruing during FY'01) for that year was 11.21%. The amortization of the excess assets that year had the effect of reducing the employer normal cost required contribution by 7.46% of payroll.

Now, primarily as a result of the 2001 and 2002 financial market contractions and the gradual reduction in the PSPRS rate of return assumption (See below for further discussion), the funding ratio/employer contribution requirement situation has reversed. Given that the System now has an unfunded liability, that liability (again expressed as a level percent of payroll and amortized over a twenty year rolling period) must be added to employer normal cost. This makes the required employer contribution abnormally high. For example, based on the PSPRS FY'05 results, the aggregate employer contribution, which totals 17.1%, consists of the employer normal cost of 10.71% and the additional 6.38% that is necessary to amortize the System's unfunded liability over the twenty year period.

Unfortunately, even despite good investment performance these past two years, the near-term expectation is for further erosion in the PSPRS funding ratio. In the absence of significant and financially beneficial developments or changes, the deterioration in the System's financial condition will continue. In part, this is

because the effects of the financial market contractions that occurred during the 2001-2002 period are not yet fully reflected in the System's actuarial value of assets. Those asset values are determined annually based on a rolling seven year average.

Another factor contributing to the funding ratio erosion relates to our having to reflect actuarially the investment environment in which we are operating. Clearly, the current investment environment is not as positive or robust as that which prevailed throughout the last half of the 1990's. In recognition of that reality, we have had to gradually reduce our actuarially assumed rate of return in one quarter of one percent increments. For FY'05, the assumed rate was 8.75%. During the current FY'06, the rate is 8.50%. We have been told by the System's actuary that every one-quarter of one percent reduction in the actuarial rate of return assumption results in a one and one-half percent increase in the employer contribution rate requirement. Although we shall likely pause to assess whether our latest assumption reasonably reflects the true rate of return experience of the System, it is possible that even further reductions in the assumed rate may be necessary in the future.

Still another factor that has the effect of suppressing the System's actuarial value of assets and its funding ratio is the way in which PSPRS is statutorily required to pre-fund annual post-retirement benefit adjustments. Under current law, one-half of all System excess investment returns (i.e., investment returns in excess of 9.00%) must be allocated to the Future Benefits Increase Reserve. As such, the assets in this Reserve (\$537.5 million as of FY'05) and the earnings thereon are not included in the calculation of the System's actuarial value of assets, which, in turn, negatively impacts the System's funding ratio and, in turn, the aggregate employer contribution rate.

For FY'05, PSPRS generated a 9.11% rate of return, well above the System's 8.75% actuarially assumed rate of return. However, because of the required allocation to the Future Benefits Increase Reserve, only one-half of the asset value added by the return in excess of 9% is includible in the asset base that is used in calculating the System's funding ratio.

Of course, as the PSPRS funding ratio has declined, the required, aggregate employer contribution rate has increased. Based on the System's financial status at June 30, 2001, the aggregate net employer contribution for FY'03, after factoring in the statutorily required minimum employer contribution rate, was only 4.46%. At the end of System FY'04, and based on the financial status of PSPRS at that time, the FY'06 employer contribution increased to 12.82%. Now, as indicated above, based on the System's FY'05 results, the aggregate employer contribution rate projected for FY'07 is 17.12%. As the funding ratio declines further, the aggregate employer contribution rate will continue to rise. The fact that the compensation paid to those who are participating in the Deferred Retirement Option Plan (i.e., 1,472 PSPRS active participants as of FY'05) is excluded from the System's payroll base (over which the System's unfunded actuarial accrued liabilities are financed) further aggravates the size of the employer contribution rate increases.

At this juncture, given the magnitude of the projected FY'07 aggregate employer contribution rate increase, we have directed the System's Administrator to work with the System's actuary to try to come up with a package of changes that could potentially reduce what will otherwise be the FY'07 employer rate. Some of these may be actuarial changes that can be implemented by the Fund Manager. Others, however, may require legislative changes, and, to the extent that is the case, we are committed to doing all we can to build a consensus in support of such changes on the part of legislative policymakers and the PSPRS constituency organizations. Of course, under no circumstances will we recommend or consent to any changes that might impair the System's fiscal stability.

October 5, 2005
Page Three

With respect to other developments within PSPRS during FY'05, the following were the most significant. First, as was indicated above, the System's rate of return for the fiscal year was 9.11%, a rate well above the System's 6.32% composite weighted market (i.e., the "benchmark") return. Indeed, on a long-term basis, PSPRS has continued to perform very well. For example, over the ten, fifteen and twenty year periods ending June 30th, the annual average returns for the System were 8.18%, 9.03% and 10.12% respectively. These returns compare favorably relative to the benchmark returns of 8.06%, 8.61%, and 9.50% for the same respective time periods

Second, with respect to expenses, benefits paid to retired members and their beneficiaries increased from \$229.88 million (including pension payments for DROP participants) to \$257.44 million. Also, total administrative and investment-related expenses increased from \$1.65 million to \$2.29 million. But even so, PSPRS costs were still only 5 basis points (i.e., .05%) relative to total assets under management -- a result that compares favorably with the expense ratios of other systems.

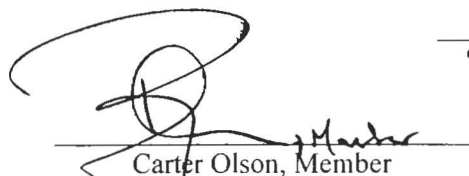
Third, since improved customer service continues to be an important priority for the System and since the number of members and participating employers in the System continues to increase, we added a number of highly qualified staff and moved the PSPRS administrative offices to a larger and more secure facility. We also initiated a document-imaging project in order to have a secure and easily retrievable copy of all participant records. Additionally, we completed a governance and investment policy review that now provides the System with a written and comprehensive compilation of charters and policies governing all operations.

Finally, we completed a thorough two year national search process and selected James M. Hacking as the new PSPRS Administrator. Mr. Hacking officially joined the System on August 29, 2005. Prior to joining PSPRS, Mr. Hacking was the Executive Director of the State Universities Retirement System (SURS) of Illinois. He brings to PSPRS over twenty years of experience derived from his service as the chief executive officer of three other public retirement systems (including SURS). We envision a seamless transition under his direction.

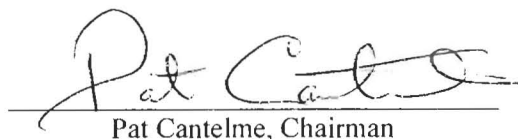
Once we have completed our development and analysis of a package of potential changes that could provide significant relief in terms of FY'07 employer contribution rates, we shall make our recommendations in this regard known to your Office. We sincerely hope that these will meet with your approval and have your full support.

We appreciate having the opportunity to serve the State of Arizona, its political subdivisions and its PSPRS participants and beneficiaries and we look forward to continuing to serve as the Fund Manager for this System.

Respectfully submitted,



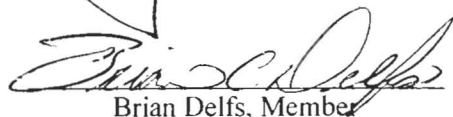
Carter Olson, Member



Pat Cantelme, Chairman



Billy Shields, Member



Brian Delfs, Member



Fritz Beesemyer, Member

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN
ELECTED OFFICIALS' RETIREMENT PLAN**

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Interim Administrator

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FAX: (602) 255-5572

Tracey D. Peterson, C.P.A., CFE
Interim Assistant Administrator

October 5, 2005

The Fund Manager
Public Safety Personnel Retirement System
State of Arizona
Phoenix, Arizona

Gentlemen:

There is presented, herewith, the Thirty-Seventh Comprehensive Annual Financial Report of the operations and financial conditions of the Public Safety Personnel Retirement System, State of Arizona, for the fiscal year ended June 30, 2005. Incorporated in this report are the audited financial statements, Management's Discussion and Analysis and other financial data from the June 30, 2005 report of Barrows & Schatza, P.L.C., Certified Public Accountants and our auditors for the System. Also included are the Actuarial Certification Statement and the Actuarial Balance Sheet from the June 30, 2005 Actuarial Valuation prepared by the System's actuary, Rodwan Consulting Company.

This report has been organized into five sections: (1) the Introductory Section containing general information regarding the operations of the PSPRS; (2) the Financial Section containing the Management's Discussion and Analysis report, the independent auditors' opinion, the financial statements and notes thereto, and required supplemental information regarding the funds administered by the PSPRS; (3) the Investment Section containing information pertaining to the internal management of the investments of the pension trust funds, including detailed lists of the investment transactions and portfolios of the System, along with investment performance; (4) the Actuarial Section containing actuarial information regarding the financial condition and financial position of the plan administered by the system, including the retained actuary's opinion; and (5) the Statistical Section containing statistical data pertaining to the system participants and benefits paid by the PSPRS and growth of the System.

FINANCIAL INFORMATION

The primary responsibility for the integrity and objectivity of the financial statements and related financial data rests with the management of the System. The financial statements were prepared in conformity with generally accepted accounting principles appropriate for government-sponsored defined benefit pension plans. Management believes that all other financial information included in this annual report is consistent with those financial statements.

It is the System's policy to maintain a control-conscious environment through an effective system of accounting controls. These controls are adequate to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and to produce the records necessary for the preparation of financial information. There are limits inherent in all systems of internal control based on the recognition that the costs of such systems should be related to the benefits to be derived. Management believes the System's controls provide this appropriate balance.

The System uses the accrual basis of accounting for both revenues and expenses. Contributions to the System are based on principles of level-cost financing with current service financed as a level percent of payroll on a current basis and prior service amortized as a level percent of payroll over a rolling twenty (20) year period.

REVENUES

Revenues to the System are derived from three sources: member contributions, employer contributions and investment income. As shown by the Schedule of Revenues by Source included in the Statistical Section later in this report, the System benefited from an investment gain this fiscal year that was further enhanced by member contributions, direct employer contributions, and insurance premium taxes. Please refer to the Statistical Section for a ten-year history of revenues and expenses.

ADMINISTRATIVE AND INVESTMENT EXPENSES

The 2004/2005 Administrative and Investment Expenses of the Administrative Office totaled \$2,292,065 compared to \$1,650,779 for the prior year. Our administrative and investment expenses are approximately 5 basis points of the total assets managed. This is very low compared with other retirement systems. A dedicated staff and constantly improving internal expertise has allowed management to keep costs low even though membership and assets managed have increased substantially.

INVESTMENTS

Management takes a moderately conservative approach to investing. The System invests primarily in bonds rated A or better and highly rated common stock. A detailed summary of the investment portfolio and all investment transactions is presented in the Investment Section. At year-end, the investment portfolio, on a cost basis (to comply with state law) was made up of 5.81% U. S. Government Securities, 16.30% Corporate Bonds, 5.12% Other Investments, 7.30% Corporate Notes, 0.07% insured Money Market Funds and 65.40% Common Stocks. All investments are held in trust by the Arizona subsidiary of one of the largest banks in the world.

Even with this conservative investment philosophy, the fixed income portfolio has outperformed the Lehman Government/Corporate Bond Index in two of the last three years and on a long term basis in eleven of the last fifteen years. The equity portfolio has also outperformed the applicable Index for the past three years and on a long term basis in ten of the last fifteen years. The System's performance resulted in a net effective yield of 7.41% and a 15-year total rate of return of 9.03%. Graphs depicting the fund's performance and a schedule of commissions paid to investment professionals who provide services to PSPRS can be found in the Investment Section of this report.

ECONOMIC OUTLOOK

The Fund Manager changed the averaging period for valuing assets from four years to seven years as of July 1, 2004. Effective this same date, the Fund Manager also reduced the assumed earnings rate from 9.0% to 8.75%, with subsequent annual reductions of one-quarter of one percent each year thereafter until the rate is reduced to 8.0%. This action by the Fund Manager reflects the change in the investment environment that has occurred and the expectation that future rates of return will not be as robust as they were in the last half of the 1990's. Unfortunately, even despite good future investment performance, the near-term expectation is for further erosion in the funding ratio and increases in employer contribution rates. A more detailed discussion of the economic outlook for PSPRS can be found in the Management Discussion and Analysis section of this report.

ACTUARIAL AND FUNDING INFORMATION

Funding a retirement system on a sound actuarial reserve basis involves the accumulation of substantial reserves to guarantee the payment of promised benefits. These reserves are invested and the rate of investment earnings, over time, is a major factor in determining the employer contribution requirement to meet the calculated level cost of the System.

There is no single all-encompassing test to measure a retirement system's funding progress and current status. A traditional measure is the ratio of assets to unfunded accumulated normal costs, often referred to as the "percent funded." The percent funded for the System at June 30, 2005, is 82.1%.

The System is funded through a member contribution of 7.65% of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll and a distribution of the net earnings of the System. While each employer has a different contribution rate, the average for the entire System for the 2005/2006 fiscal year is 12.80% of gross payroll. The firefighter groups receive a percentage of the Insurance Premium Tax, which underwrites a large portion of their employer contributions.

POST RETIREMENT BENEFIT INCREASES

State law provides for an annual benefit increase for retirees or their survivors either two years after retirement, regardless of age, or when the retiree or survivor attains age 55 and has been retired for a year. These increases are dependent upon the production of excess earnings on a portion of the System's assets and are limited to four percent of the average benefit being paid.

Below is a schedule of the increases in monthly benefits granted since this program began on July 1, 1986:

July 1, 1986 - \$36.17
July 1, 1987 - \$38.59
July 1, 1988 - \$42.84
July 1, 1989 - \$44.95
July 1, 1990 - \$47.83
July 1, 1991 - \$52.35
July 1, 1992 - \$55.13
July 1, 1993 - \$58.69
July 1, 1994 - \$63.94
July 1, 1995 - \$45.00
July 1, 1996 - \$50.00
July 1, 1997 - \$55.00
July 1, 1998 - \$78.36
July 1, 1999 - \$81.95
July 1, 2000 - \$87.37
July 1, 2001 - \$93.24
July 1, 2002 - \$98.17
July 1, 2003 - \$102.53
July 1, 2004 - \$111.90
July 1, 2005 - \$116.82
July 1, 2006 - \$121.76
Cumulative Total - \$1,482.59

A benefit increase schedule showing how these amounts were calculated can be found in the Statistical Section.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the PSPRS for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the fourteenth consecutive year that the System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must

publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

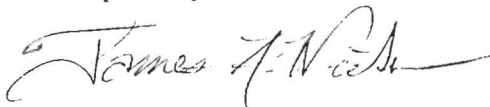
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

SUMMARY

This report is a product of the combined efforts of PSPRS' staff functioning under your leadership. It is intended to provide complete and reliable information that will facilitate the management decision process and serves as a means for determining compliance with our governance and investment policies and legal requirements. Copies of this report are provided to the Governor, State Auditor, Legislature and all our member groups. We hope all recipients of this report find it informative and useful.

I would like to take this opportunity to express my gratitude to you, the staff, the advisors, and other people who have worked so diligently to assure the continued successful operation of the system. I am proud to have been a part of the System's interim management team and I look forward to the System's continued success in the future.

Respectfully submitted,



James A. Nielsen
Interim Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Arizona Public Safety Personnel Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zielke

President

Jeffrey R. Emer

Executive Director

THE RETIREMENT BOARD AND ADMINISTRATIVE ORGANIZATION

THE FUND MANAGER

		<u>Term Expires</u>
Pat Cantelme Retired Firefighter City of Phoenix	Chairman	January 2005
Carter Olson Pinal County Attorney	Member	January 2006
Billy Shields Retired Firefighter City of Phoenix	Member	January 2007
Fritz Beesemyer Public Member	Member	January 2008
Brian Dell's Firefighter City of Tucson	Member	January 2006

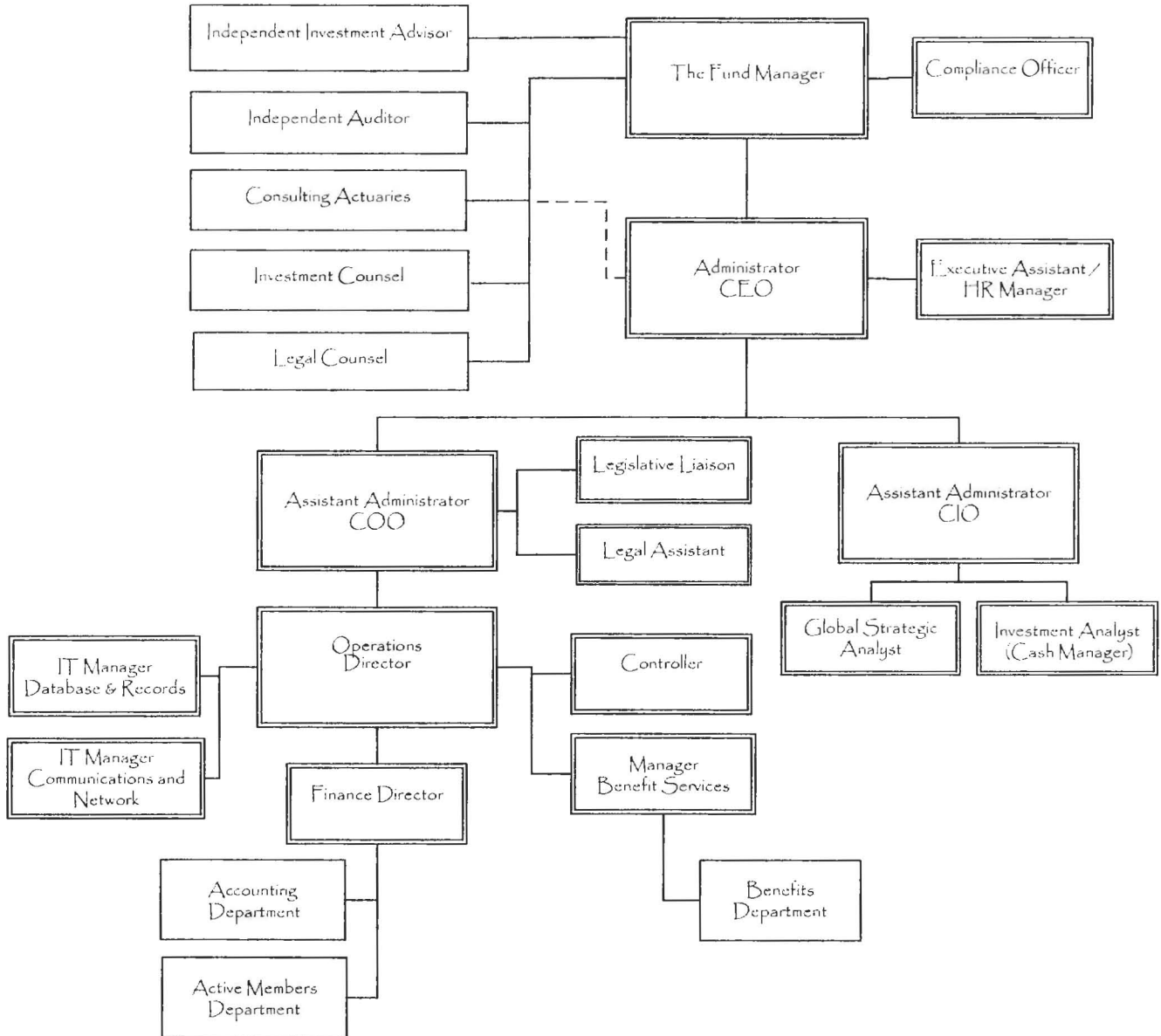
PROFESSIONAL ADVISORS

Standard & Poor's Securities, Inc.	Investment Counsel
Stratford Advisory Group	Investment Advisor
Cortex Applied Research	Fiduciary and Governance Consultant
Rodwan Consulting Company	Consulting Actuaries
Barrows & Schatza, P.L.C.	Independent Auditors
Lieberman, Dodge, Gerding, Kothe & Anderson, Ltd.	Legal Counsel

ADMINISTRATIVE and INVESTMENT STAFF

James A. Nielsen, CPA, JD	Interim Administrator - CIO
Tracey D. Peterson, CPA, CFE	Interim Assistant Administrator
Karen L. Lewis, CPA	Operations Director
Ryan Parham, JD	Global Strategic Analyst
Jan Holt, CPA	Finance Director
Jared A. Smout, CPA	Controller
Martin Anderson, CFA	Investment Analyst
Tom Willard	Manager of IT-Database & Records
Eileen Kelleher	Manager of Communications & Network
Gail Nova	Executive Assistant/HIR Manager
Bonnie Bohman	Manager of Benefit Services
Donald B. Mineer	DROP Coordinator/Special Projects Assistant
Shellee Suber	Insurance Supervisor
LaDawn M. Snodgrass	Senior Active Member Services Specialist
Sheryl D. Saltzman	Senior Active Member Services Specialist
Deborah S. Irwin	Senior Active Member Services Specialist
Lilian L. Leung	Senior Accounting Specialist
Kathleen A. Mattoon	Office Specialist
Annette L. Jorgensen	Senior Benefits Specialist
Lori A. Boyle	Receptionist
Paul Hemmes	Insurance Specialist
Stacey Alcott	Insurance Specialist
Tony Jenkins	Active Member Services Specialist
Janette Trujillo	Benefits Specialist
Devin Delap	IT Specialist
Mark Selfridge	Part-time Investment Analyst

ORGANIZATIONAL CHART



FINANCIAL SECTION

THIRTY-SEVENTH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2005

Independent Auditor's Report
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Supplemental Schedule of Cash Receipts and Cash Disbursements



INDEPENDENT AUDITOR'S REPORT

**FUND MANAGER
STATE OF ARIZONA PUBLIC SAFETY
PERSONNEL RETIREMENT SYSTEM
PHOENIX, ARIZONA**

We have audited the accompanying statements of system net assets of the **STATE OF ARIZONA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM** as of June 30, 2005 and 2004, and the related statements of changes in system net assets for the years then ended, appearing on pages 23 and 24, respectively. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of **STATE OF ARIZONA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM** as of June 30, 2005 and 2004, and the results of its operations and the changes in system net assets for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, Management's Discussion and Analysis, Schedule of Funding Progress and Schedule of Employer Contributions, are required by the Governmental Accounting Standards Board and are not a required part of the basic financial statements. Also, the accompanying additional information, contained on pages 42 to 44, are not required disclosures under Governmental Accounting Standards Board (GASB) statement No. 25 and are not a required part of the basic financial statements. The additional information schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Barrows & Schatza, P.L.C.

September 22, 2005

Financial Section

Required Supplemental Information

Management Discussion and Analysis

The Public Safety Personnel Retirement System's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the System's financial activity, identify changes in the System's financial position and identify any issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, it is intended to be read in conjunction with the Transmittal Letter, Financial Statements and Notes to the Financial Statements.

Financial Highlights

Key financial highlights for 2005 are as follows:

- The Public Safety Personnel Retirement System (PSPRS) had a total rate of return of 9.11% this year. Our equity portfolio had a return of 9.13%, which outperformed the stock index by over 280 basis points. Our fixed income portfolio had a return of 9.76%, which outperformed the index by over 250 basis points.
- As of the close of the fiscal year 2005, the Future Benefit Increase Reserve was \$537 million. This will enable another post-retirement adjustment for qualifying retirees or their survivors for the twenty-first consecutive year.
- Retirement benefits paid totaled \$257.4 million for the current year, compared to \$229.9 for the previous year. This represents a 12% increase from the prior year. The majority of this increase is the result of increased health insurance benefits and the cost of post-retirement adjustments paid to the retirees or their survivors of the System.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those financial statements.

These statements are organized so the reader can understand the System as an operating entity.

The statements and notes then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and The Statement of Changes in Net Assets

These statements include all assets and liabilities of the System using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements report the System's **net assets** and changes in them. **Net assets** are the difference between assets and liabilities, one way to measure the financial health, or **financial position**. Over time, **increases or decreases** in the net assets are one indicator of the **financial health** of the System.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found immediately following **The Statement of Net Assets** and **The Statement of Changes in Net Assets**.

Required Supplemental Information

The basic financial statements are followed by a section of required supplemental information. This section includes the **Schedule of Funding Progress** and the **Schedule of Employer Contributions**.

The Schedule of Funding Progress shows the ratio of assets as a percentage of the actuarial accrued liability (funding ratio) and the ratio of unfunded actuarial accrued liabilities to member payroll. The trend in these two ratios provides information about the **financial strength** of the System. Improvement is indicated when the funding ratio is increasing and the ratio of the unfunded actuarial accrued liability to payroll is decreasing.

Financial Section

Management Discussion and Analysis

The Schedule of Employer Contributions shows the Annual Required Contributions by fiscal year. The purpose of this schedule is to provide information about the required contributions of the employers and the extent to which those contributions are being made. The information should assist users in understanding the changes and possible reasons for the changes in the System's funding status over time.

Other Supplemental Information

The Other Supplemental Information Section includes the Supporting Schedule of Changes in Fund Balance Reserves, Supporting Schedule of Payments to Consultants, and the Supplemental Schedule of Cash Receipts and Cash Disbursements. The total columns and information provided on these schedules carry forward to the applicable financial statement.

Comparative Statements are included to provide additional analysis of the changes noted on those schedules.

Summary Comparative Statements of Plan Net Assets

	As of 6/30/2005	As of 6/30/2004	Amount of Change	Percentage Change
Cash	\$ 2,742,837	\$ 8,618,698	(5,875,861)	-68.18%
Receivables	28,678,794	35,438,464	(6,759,670)	-19.07%
Investments	4,572,997,542	4,261,048,829	311,948,713	7.32%
Invested securities lending collateral	943,046,116	827,030,932	116,015,184	14.03%
Capital assets	3,622,716	4,629,082	(1,006,366)	-21.74%
Total Assets	5,551,088,005	5,136,766,005	414,322,000	8.07%
Securities lending collateral	943,046,116	827,030,932	116,015,184	14.03%
Total Liabilities	943,046,116	827,030,932	116,015,184	14.03%
Net Assets	\$ 4,608,041,889	\$ 4,309,735,073	\$ 298,306,816	6.92%

Summary Comparative Statements of Plan Net Assets Analysis

The decrease in cash and receivables is attributable to normal fluctuations in investment income receivables during the year. For the year ended June 30, 2005, the month-end balance of investment income receivables ranged from a low of \$32,155,974 in December 2004 to a high of \$46,239,467 in July 2004 with an average receivable balance of \$40,346,380.

The increase in fair value of investments is primarily attributable to the favorable market conditions experienced during FY2004/05 as evidenced by PSPRS' total investment return for the year of 9.11%.

Detailed information regarding PSPRS' investment portfolio is included in the investment section of this report.

The increase in security lending collateral is due to normal fluctuations in the lending program. The month end collateral balances ranged from a low of \$796,870,266 in August, 2004 to a high of \$963,721,030 in January, 2005 with an average balance of \$927,206,871 for the year. The investment of the collateral fluctuated in a similar manner and benefited from the market gains as well.

Financial Section

Management Discussion and Analysis

Summary Comparative Statements of Changes in Plan Net Assets

	As of 6/30/2005	As of 6/30/2004	Amount of Change	Percentage Change
Contributions	\$ 172,444,656	\$ 142,978,635	\$ 29,466,021	20.61%
Net Investment Income	382,481,361	561,155,066	(178,673,705)	-31.84%
Net Securities Lending activities	1,049,051	1,458,193	(409,142)	-28.06%
Service Transfers/Purchases	9,156,465	9,177,386	(20,921)	-0.23%
Total additions	565,131,533	714,769,280	(149,637,747)	-20.94%
Pension Benefits	246,031,164	219,111,010	26,920,154	12.29%
Insurance Benefits	11,417,919	10,774,433	643,486	5.97%
Terminated Members Refunds	7,647,443	6,390,643	1,256,800	19.67%
Administrative Expenses	1,599,784	1,099,932	499,852	45.44%
Service Transfers	128,407	196,287	(67,880)	-34.58%
Total deductions	266,824,717	237,572,305	29,252,412	12.31%
Net increase (decrease)	298,306,816	477,196,975	(178,890,159)	-37.49%
Net assets beginning of year	4,309,735,073	3,832,538,098	477,196,975	12.45%
Net assets end of year	\$ 4,608,041,889	\$ 4,309,735,073	\$ 298,306,816	6.92%

Summary Comparative Statements of Changes in Plan Net Assets Analysis

The increase in contributions received is primarily attributable to an increase in the contribution rate for the participating employer groups from an average of 7.66% to 10.05%. Service transfers remained constant due to legislation that allows members to use qualified individual retirement accounts to purchase credited service.

Investment income decreased primarily as a result of profit taking in the previous year and high cash or cash equivalent positions at year end.

Security lending income decreased primarily due to lower interest rates.

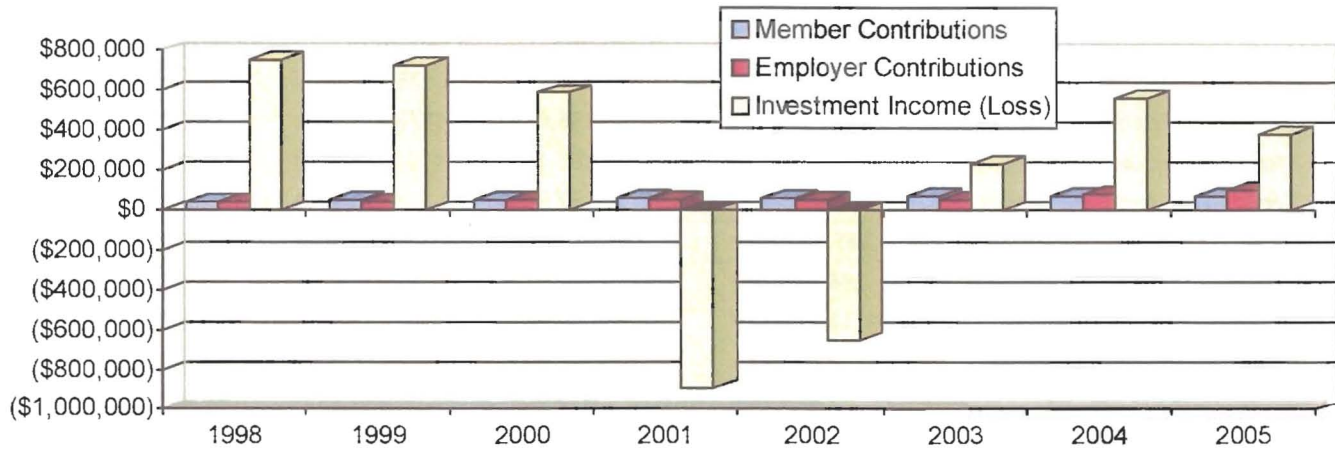
Benefit payments increased due to changes in the number of members retiring, post-retirement adjustments, and health benefits. Detailed schedules of these changes can be found in the Actuarial Section of this report.

Administrative expenses increased primarily because of a move to a more secure administrative office building last year, our undergoing a governance review and our developing new policies and procedures. Additionally, increased staffing levels contributed to the increase in costs. We increased staff in order to maintain our current customer service levels and keep pace with growth in the system.

Financial Section

Management Discussion and Analysis

Trends in Revenues by Type (in 000's)



Analysis of Trends in Revenues by Type

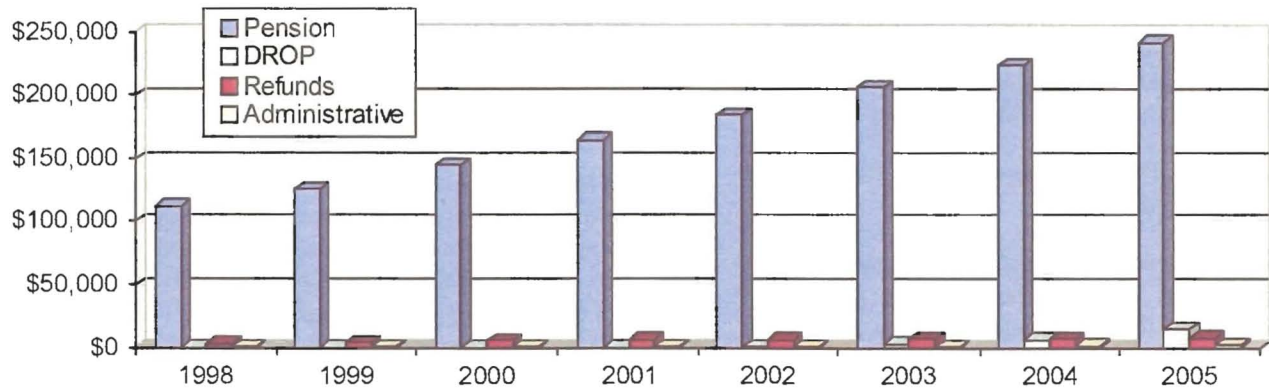
Revenues are derived from three sources: member contributions, employer contributions and investment income. Member contribution rates are set by statute and are currently 7.65%. Employer contribution rates are determined annually by actuarial valuations. The valuations encompasses the rate of investment earnings and the accumulation of substantial reserves to guarantee payment of promised benefits. When the system was earning better than expected investment returns during the late 1980's and 1990's, the system was able to provide benefits while maintaining low contribution rates. However, the contribution rates were historically low in comparison to the normal cost of the System.

But, the investment environment changed. As a result, the employer contribution rates are expected to increase into the future until they become more in line with the System's normal costs. Additionally, the increase in contribution rates is, in part, attributable to some previously lower than expected investment returns in prior years. Investment gains and losses are averaged over a seven-year period to help stabilize the employer contribution rates from year to year. These previous investment losses have not yet been fully reflected in the System's actuarial value of assets.

Financial Section

Management Discussion and Analysis

Trends in Expenses by Type (in 000's)



Analysis of Trends in Expenses by Type

The primary expenses of the System include the payment of pension benefits to members and beneficiaries, refunds of contributions to former members who terminated employment during the year and the cost of administering the System. We anticipate the trend of increasing expenses to continue in the future for a number of reasons. As the System matures, benefit payments would normally be expected to increase. In addition, growth of the System will tend to increase administrative costs. In order to continue to meet our customer service goals, we need to maintain and perhaps increase our current staffing levels and invest in new technology.

Another factor that is increasing expenditures is the System's Deferred Retirement Option Plan (DROP). Approximately 1,500 of our members are participating in the DROP as of fiscal year end. If these members terminate their employment and retire as scheduled, the System will be paying out lump sums as well as adding these deferred retirements to the benefit rolls.

More detailed information regarding DROP can be found in the Notes to the Financial Statements.

Management Discussion and Analysis

Capital Assets

The System's investment in capital assets totaled \$3,622,716 (net of depreciation) for the current fiscal year. This investment in capital assets includes land, building and improvements. A more detailed schedule of the capital assets can be found in the Notes to the Financial Statements.

Economic Factors, Employer Rates and Funding Levels

The Fund Manager, the System's five member governing board, changed the averaging period for valuing assets from four years to seven years as of July 1, 2004. Effective this same date, the Fund Manager also reduced the assumed earnings rate from 9.0% to 8.75%, with subsequent annual reductions of one-quarter of one percent each year thereafter until the rate is reduced to 8.0%. Effective July 1, 2005, the assumed earnings rate will be 8.5%.

This action by the Fund Manager reflects the change in the investment environment that has occurred and the expectation that future rates of return will not be as robust as they were in the last half of the 1990's. However, the System's actuary has indicated that every one quarter of one percent reduction in the actuarially assumed rate of return will result in a one and one-half percent increase in the employer contribution rate, on average.

As mentioned in the Fund Manager letter to the Governor, despite the fact that the PSPRS has earned above market returns over the past two years, its financial status has deteriorated markedly since June 30, 2001.

PSPRS has gone from a funding ratio of 126.9% on June 30, 2001 to a funding ratio of 82.1% based on the current valuation. Additionally, as the System has moved from a position of surplus assets to one of asset deficiency, the required aggregate employer contribution rate has increased. The employee rate, on the other hand, is fixed by statute at 7.65%.

As mentioned earlier in this section, the employer contribution rates have been historically low in comparison with the normal cost of the System. For example, based on the June 30, 2001 results, the computed aggregate contribution rate was only 3.75%. However, the employer "normal cost" for that year was 11.21%. The amortization of the excess assets that year had the effect of reducing the required employer normal cost contribution by 7.46% of payroll.

The situation has now reversed as a result of the 2001 and 2002 financial market contractions and the gradual reductions in the assumed earnings rate. The System now has an unfunded liability that must be amortized over a rolling twenty year period and must be added to the employer normal cost. The results of the current valuation consists of a computed aggregate employer contribution rate of 17.09%. The percentage is comprised of the employer normal cost of 10.71% and an additional 6.38% that is necessary to amortize the unfunded liability over the twenty year period.

Unfortunately, even despite good future investment performance, the near-term expectation is for further erosion in the funding ratio and increases in employer contribution rates.

Financial Section

Management Discussion and Analysis

At this juncture, management is working with the System's actuary to try to come up with a package of changes that could potentially reduce what will otherwise be the computed employer rates for fiscal year 2006/07. Some of these may be actuarial changes, but some may require legislative action. To the extent that is the case, we are committed to doing all we can to build a consensus in support of such changes on the part of legislative policy-makers and the System's constituency organizations. Of course, under no circumstances will the Fund Manager recommend or consent to any changes that might impair the System's fiscal stability.

Once we have completed our development and analysis of a package of potential changes that could provide significant relief in terms of the fiscal year 2006/07 employer contribution rates, we will make those recommendations known to all interested parties.

Request for Information

This report is designed to provide a general overview of the Public Safety Personnel Retirement System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Public Safety Personnel Retirement System, Operations Director, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016.

STATEMENTS OF SYSTEM NET ASSETS

AS OF JUNE 30, 2005 AND 2004

	2005	2004
ASSETS		
Cash and short term investments	\$ 2,742,837	\$ 8,618,698
Receivables		
Members' Contributions	1,916,730	2,104,211
Employers' Contributions	8,208,304	7,411,379
Interest and Dividends	16,420,198	25,922,874
Other	2,133,562	-
Total Receivables	28,678,794	35,438,464
Investments at Fair Value (Note 2)		
U.S. Government Securities	242,049,653	180,582,230
Corporate Bonds	662,003,093	587,530,848
Corporate Notes	276,388,385	164,926,920
Corporate Stocks	3,198,451,663	3,091,719,229
Other Investments	194,104,748	236,289,602
Total Investments	4,572,997,542	4,261,048,829
Collateral Held in Trust for Securities on Loan	943,046,116	827,030,932
Capital Assets (Note 2)		
Land	495,436	654,165
Building and improvements	3,004,375	4,180,151
Furniture, fixtures, and equipment	215,130	55,459
Total Capital Assets	3,714,941	4,889,775
Accumulated Depreciation	(92,225)	(260,693)
Net Capital Assets	3,622,716	4,629,082
Total System Assets	5,551,088,005	5,136,766,005
Liability - Collateral Subject to Return to Borrower	(943,046,116)	(827,030,932)
Net Assets Held in Trust for Pension Benefits	\$ 4,608,041,889	\$ 4,309,735,073
Net Asset Reserves		
Refundable Members' Reserve	\$ 643,712,465	\$ 594,479,065
Employers' Reserve	3,426,816,099	3,146,636,979
Future Benefit Increase Reserve	537,513,325	568,619,029
Total Net Asset Reserves	\$ 4,608,041,889	\$ 4,309,735,073

A schedule of funding progress is presented immediately following the notes to the financial statements. The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN SYSTEM NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
Additions		
Contributions		
Members' Contributions (Notes 1 and 3)	\$ 67,947,506	\$ 63,978,505
Employers' Contributions (Notes 1 and 3)	104,497,150	79,000,130
Total Contributions	172,444,656	142,978,635
Net (Depreciation) Appreciation		
in Fair Value of Investments (Note 2)	249,836,883	457,103,251
Interest	86,350,883	75,718,530
Dividends	46,985,876	28,884,132
Securities Lending Activities		
Securities Lending Income	\$ 20,834,935	\$ 11,937,723
Borrower Rebates	(19,281,404)	(9,694,395)
Agents Share of Income	(504,480)	(785,135)
Net Securities Lending Income (Note 2)	1,049,051	1,458,193
	384,222,693	563,164,106
Less Investment Expense	(692,281)	(550,847)
Net Investment Income	383,530,412	562,613,259
Amounts Transferred from Other State-Sponsored Pension Plans and Service Credits Purchased	9,156,465	9,177,386
Total Additions	565,131,533	714,769,280
Deductions		
Pension Benefits (Note 1)	246,031,164	219,111,010
Insurance Benefits (Note 1)	11,417,919	10,774,433
Refunds to Terminated Members (Note 1)	7,647,443	6,390,643
Administrative Expenses	1,599,784	1,099,932
Amounts Transferred to Other State-Sponsored Pension Plans	128,407	196,287
Total Deductions	266,824,717	237,572,305
Net (Decrease) Increase	298,306,816	477,196,975
Net Assets Held In Trust for Pension Benefits		
Beginning of Year - July 1	4,309,735,073	3,832,538,098
End of Year - June 30	\$ 4,608,041,889	\$ 4,309,735,073

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

Note 1-Plan Description:

Organization-The Public Safety Personnel Retirement System (PSPRS), a pension trust fund of the State of Arizona, is an agent multiple-employer public employee retirement system established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes, to provide benefits for public safety employees of certain state and local governments. The Fund Manager and 209 local boards jointly administer the System.

The Fund Manager is a five member board. Effective August 6, 1999, it became the Governor's responsibility to appoint all members of the Fund Manager, who serve a fixed three-year term. The Fund Manager is responsible for the investment of the System's assets, setting employer contribution rates in accordance with an actuarial study, adopting a budget, hiring personnel to administer the System, setting up records, setting up accounts for each member and each Local Board, paying benefits and the general protection and administration of the System. Senate Bill 1378, which was enacted August 12, 2005, requires substantial investment experience for the member of the Fund Manager that represents the state as an employer and the public member of the Fund Manager.

Each eligible group participating in the System has a five-member Local Board. The chief elected official of the organization appoints three members and two members are elected by the active members of the eligible group. In general, each member serves a fixed four-year term. Each Local Board is responsible for determining eligibility for membership, service credits, eligibility for benefits, timing of benefit payments, and the amount of benefits for its eligible group of employees. The various governing bodies pay all costs associated with the administration of the Local Boards.

The addition or deletion of eligible groups does not require the approval of the other participating employers.

The Fund Manager approves new eligible groups for participation. The PSPRS is not reported as a

component unit of any other organization. The Local Boards are reported as component units of their respective sponsoring organization.

The Fund Manager of the PSPRS is also responsible for the investment and general administration of two other statewide retirement plans-the Corrections Officer Retirement Plan and the Elected Officials' Retirement Plan. The investments and expenses of these plans are held and accounted for separately from those of the PSPRS. Since none of the plans have the authority to impose their will on any of the other plans, each plan is reported as its own stand-alone government.

At June 30, 2005 and 2004, the number of participating local government employer groups was 209 and 199, respectively.

Any state or local government in the State of Arizona may elect to have its paid, full-time eligible employees (generally, fire fighters and police officers in full-time hazardous duty positions) covered by the PSPRS. At June 30, 2005 and 2004, statewide PSPRS membership consisted of:

	<u>2005</u>	<u>2004</u>
Retirees	6,688	6,396
Terminated employees	104	69
DROP participants	1,472	1,267
Current employees		
Vested	6,651	6,295
Non-vested	<u>9,666</u>	<u>9,557</u>
Total Members	24,581	23,584

PSPRS provides retirement benefits as well as death, survivors, disability and health insurance benefits. A member of the System does not have vested rights to benefits under the System until the member files an application for benefits and is found eligible for those benefits.

Notes to the Financial Statements

An eligible claimant's rights to benefits vest on the date of the application for those benefits or their last day of employment under the System, whichever occurs first.

A summary of benefit and plan provisions follows:

Summary of Benefits:

Purpose (A.R.S. §38-841) To provide a uniform, consistent and equitable statewide program for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona, or a political subdivision of this State. Membership consists of those eligible employees who are employed by an employer who entered the system in 1968 or who has entered into an agreement to join the System on behalf of an eligible group.

Eligibility (A.R.S. §38-842.14) Full-time paid firefighters, whose customary employment is at least forty hours per week, of a participating employer who is or was regularly assigned to hazardous duty of the type normally expected of a firefighter and full-time paid certified peace officers, whose customary employment is at least forty hours per week, of a participating employer who is or was regularly assigned to hazardous duty of the type normally expected of a certified peace officer.

Contributions (A.R.S. §38-843) Each member shall contribute 7.65% of compensation to the system on a pre-tax basis by payroll deduction (A.R.S. §38-843.C). Each employer shall contribute a level percent of compensation as determined by actuarial valuation to ensure proper funding for the system but not less than 2% of compensation (A.R.S. §38-843.B).

Credited Service (A.R.S. §38-842.9) The member's total period of service before the member's effective date of participation, plus those compensated periods of the member's service thereafter for which the member made contributions to the fund.

Average Monthly Compensation (A.R.S. §38-842.4) One thirty-sixth of total compensation paid a member during the highest three consecutive years out of the last twenty years of credited service.

Compensation (A.R.S. §38-842.8) For purposes of computing retirement benefits, base salary, overtime pay, shift differential pay and holiday pay paid to an employee by the employer on a regular monthly, semimonthly or bi-weekly payroll basis and longevity pay paid to an employee at least every six months for which contributions are made to the System. Compensation does not include payments for unused sick leave, payment in lieu of vacation payment for compensatory time or any other payment for fringe benefits.

Normal Retirement Date (A.R.S. §38-842.21) First day of month immediately following completion of twenty years of service, or following sixty-second birthday and completion of fifteen years of service.

The amount of monthly normal pension is based on credited service and average monthly compensation as follows:

For retirement with twenty years of credited service but less than twenty-five years of credited service, 50% of average monthly compensation for the first twenty years of credited service, plus 2% of average monthly compensation for each year of credited service between twenty and twenty-five. (A.R.S. §38-845.A.2)

For retirement with twenty years of service, but less than twenty years of credited service, the pension is reduced by a rate of 4% per year for each year of credited service under twenty years. (A.R.S. §38-845.A.1)

For retirement with twenty-five or more years of credited service, 50% of average monthly compensation for the first twenty years of credited service, plus 2-1/2% of average monthly compensation for each year of credited service above twenty years, up to a maximum of 80% of average monthly compensation. (A.R.S. §38-845.A.2)

Notes to the Financial Statements

Deferred Retirement Option Plan (DROP) (A.R.S. §§38-844.02 through 38-844.09) A member with 20 or more years of credited service under the System may enter into a DROP program with his employer. Under the DROP program, the member must voluntarily and irrevocably elect to enter into the program with his employer for a period of up to 60 months. During the DROP period, the member remains in the employ of the employer as a full-time paid firefighter or full-time paid certified peace officer but no member or employer contributions are made to the System, therefore no additional years of credited service are accrued on the member's behalf. The member's monthly pension is calculated based upon the years of credited service and average monthly compensation at the beginning of the DROP period. This monthly pension amount is credited to a DROP participation account with interest at the rate of 8.75% annually, but credited monthly to the account. Effective July 1, 2005, the interest rate will be 8.50% annually. At the end of the DROP period or prior to that time if the member terminates employment, the monies in the DROP participation account will be either paid to the member in a lump-sum amount or paid in a lump-sum distribution to an eligible retirement plan or individual retirement account. The member will then begin receiving the monthly pension amount directly from the System in the same amount as was being credited to the DROP participation account.

Deferred Retirement (A.R.S. §38-846.01) A member with at least ten years of credited service, who terminates employment, may elect to leave their contributions in the System and receive a deferred retirement allowance, commencing at age sixty-two. Pension is a lifetime monthly annuity, based on twice the amount of the member's contributions. Under this option, there is no survivor benefit payable. The benefit is forfeited if the member elects a refund of their contributions.

Accidental Disability Retirement (Service Connected) (A.R.S. §38-842.I, A.R.S. §38-845.B and A.R.S. §38-844.B) Total and permanent disability incurred in performance of duty, preventing performance of a reasonable range of duties within the employee's job classification.

No credited service requirement. The pension is 50% of average monthly compensation or normal pension amount, whichever is greater.

Catastrophic Disability Retirement (Service Connected) (A.R.S. §38-842.5, A.R.S. §38-845.E, A.R.S. §38-844.C and A.R.S. §38-844.F) Physical condition incurred in performance of duty, which totally and permanently prevents engaging in any gainful employment. No credited service requirement. The pension is 90% of average monthly compensation for first 60 months, and then reduced to either 62.5% of average monthly compensation or normal pension amount, whichever is greater.

Ordinary Disability Retirement (Not Service Connected) (A.R.S. §38-842.22 and §38-845.C and §38-844.B)

Physical condition: Total and permanent disability preventing performance of a reasonable range of duties within the employee's department, prior to normal retirement date. Mental condition: Total and permanent disability preventing any substantial gainful activity, prior to normal retirement date. Benefit is a percentage of normal retirement. The percentage is computed based on the employee's years of credited service divided by twenty.

Offset Of Ordinary Disability Pension (A.R.S. §38-844.H)

Before the member's normal retirement date, an ordinary disability pension will be reduced if the retiree engages in any employment and the income from this employment is greater than the retiree's pension. The reduction is equal to the difference between the retiree's income from employment and the retiree's pension.

Temporary Disability (Service Connected) (A.R.S. §38-844.J and §38-842.29)

Total and presumably temporary disability, incurred in performance of duty, prior to normal retirement, preventing performance of a reasonable range of duties within the employee's department. No credited service requirement. Monthly pension is one-twelfth of 50% of annual compensation at time of disability.

Notes to the Financial Statements

Payments terminate after twelve months or return to work. Member must terminate employment to receive this benefit.

Survivor Pension (A.R.S. §38-846) The survivors of members, who die in service, or after retirement, are eligible for benefits as follows: No credited service requirement. Spouse's Pension – Four-fifths (80%) of the pension the deceased active member would have been paid for accidental disability retirement, or in the case of retired member, four-fifths (80%) of retired member's pension. Requires two years of marriage for a retired member's spouse. Terminates on death. For a member killed in the line of duty, the spouse's pension is 100% of deceased member's average monthly benefit compensation, less any amount payable for an eligible child. (A.R.S. §38-846.A and §38-846.B) Child's Pension - One-tenth of pension deceased active member would have been paid for accidental disability retirement (equal shares of two-tenths if more than two children), or, in the case of a retired member, one-tenth of the retired member's pension (equal shares of two-tenths if more than two children). Eligible child must be unmarried, a dependent of the surviving spouse or guardian and either under the age of 18 or a full-time student under the age of 23 or under a disability which began before the age of 23. (A.R.S. §38-842.13 and 38-846.E) Guardian's Pension - Same amount as spouse's pension. Payable only during periods no spouse is being paid and there is at least one eligible child. (A.R.S. §38-846.C and §38-846.D)

Death Benefit (A.R.S. §38-846.F) If a member has accumulated contributions remaining in the System at the date of death of the last pension recipient the remaining accumulated contributions are payable to the beneficiary named by the member.

Termination Refund (A.R.S. §38-846.02) Upon termination of employment, for any reason other than death or retirement, a member shall, within twenty days after filing an application with the Fund Manager, receive a lump-sum payment, equal to his accumulated contributions, as of the

date of termination, less any benefits paid or any amounts owed to the System. A member forfeits all membership rights and credited service in the System upon receipt of refund of contributions. If the member has 5 or more years of credited service upon termination they shall receive an additional amount according to the schedule below:

5 to 5.9—25% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

6 to 6.9—40% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

7 to 7.9—55% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

8 to 8.9—70% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

9 to 9.9—85% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

10 or more—100% of member contributions deducted from the member's salary pursuant to ARS 38-843.C plus interest at 3% if left on deposit after 30 days.

Transfer Of Contributions To Another Employer (A.R.S. §38-853) A member who terminates employment with an employer and accepts, within two years, a position with the same, or another employer participating in the System, shall have the credited service transferred to the member's record with the new employer, provided the member leaves the accumulated contributions on deposit with the Fund. The termination of employment shall not constitute a break in service; however, the period not employed shall not be considered as service. (Use Form PIA)

Notes to the Financial Statements

Reemployment And Repayment Of Contributions (A.R.S. §38-849.C) Members who terminate and take a refund of their contributions may elect, only upon reemployment with the same employer, to recover their prior service. To recover this prior service, their reemployment must be within two years from date of termination and they sign a written election within ninety days after reemployment to reimburse the Fund within one year the amount of monies refunded plus interest at the rate of 9%. (Use form PIB)

Reemployment After Retirement (A.R.S. §38-849.D) A retired member who is reemployed by an employer shall not make contributions nor accrue credited service during the period of reemployment. However, if the employer from which the member retired reemploys the retired member in the same position, the retired member's pension is suspended during the period of reemployment.

Transfer Into Or Out Of System (A.R.S. §38-855) A member who changes employment or transfers or is assigned to a non-eligible position because of a change in duties or otherwise may elect one of the following options: 1) Leave service credits and contributions on account with the PSPRS, except that after two years, the member must request a refund of his accumulated contributions or transfer his credited service to another state retirement plan or system. 2) Apply for refund of accumulated member contributions (forfeiting all service credits and membership rights). 3) Transfer all service credits to the Arizona retirement system or plan applicable to the new position pursuant to the requirements for transfer between Arizona state retirement systems.

A member who begins employment with a participating employer in this System and who has credited service from a different Arizona state retirement system may transfer or redeem his prior service to this System pursuant to the requirements for transfer between Arizona state retirement systems.

Redemption Of Prior Service (A.R.S. §38-853.01.A) Active members who had previous service in this state in a covered position with an em-

ployer now participating in the system or had previous service as a full-time paid fire-fighter or full-time paid certified peace officer with an agency of the U.S. Government, a state of the U.S. or a political subdivision of a state of the U.S., may elect to redeem any part of the prior service by paying into the system the amounts required in A.R.S. §38-853.01.B., if the prior service is not on account with any other retirement system. (Use Form P2)

Purchase Of Prior Active Military Service (A.R.S. §38-858) A member may purchase up to four years of prior active military time even if the member will receive a military pension. The member must pay the actuarial present value of the increase of credited service resulting from this purchase. (Use Form I8)

Transfer Between State Retirement Systems (A.R.S. §38-921 and §38-922) Members of any of the four Arizona state retirement systems or plans who have credited service under another Arizona state retirement system or plan may transfer or redeem the credited service to their current Arizona state retirement system or plan by paying or transferring the full actuarial present value of the credited service into their current Arizona retirement system or plan with approval of the Fund Manager or retirement boards involved. A reduced credited service amount may be transferred based on the transfer of the actuarial present value of the credited service under the prior Arizona state system or plan. (Use Form U2)

Cola Benefit Increases (A.R.S. 38-856) Effective July 1 of each year, each retired member or survivor of a retired member may be entitled to a permanent benefit increase in their base benefit. The maximum amount of the increase is four percent (4%) of the average normal PSPRS benefit being received on the preceding June 30 and is contingent upon sufficient excess investment earnings for the fund. To be eligible for the increase the member or survivor must be age 55 or older on July 1 of the current year and was receiving benefits on or before July 31 of the previous year. A member or survivor is also eligible if they were receiving benefits on or before July 31 of the two previous years regardless of age.

Notes to the Financial Statements

Health Insurance Premium Subsidy (A.R.S. §38-857) For PSPRS retirees or survivors who have elected group health and accident insurance coverage provided and administered by this state or another PSPRS employer, the PSPRS will pay up to the following amounts:

Single coverage: \$150.00; Medicare eligible \$100.00

Family coverage: \$260.00; one Medicare eligible \$215.00; all Medicare eligible \$170.00

Until June 30, 2005, a retiree or survivor who lives in a non-service area receives up to the following amounts in addition to the subsidy listed above after they have paid an out-of-pocket expense as set forth below. A non-service area is defined as an area in this state where the state retiree group insurance program or employer's retiree health insurance program does not provide or administer a health maintenance organization (HMO) for which the member or survivor is eligible.

The subsidy consists of up to the following amounts:

Single coverage: \$300.00 after \$125.00 paid out-of-pocket; Medicare eligible \$170.00 after \$100.00 paid out-of-pocket.

Family coverage: \$600.00 after \$425.00 paid out-of-pocket; all Medicare eligible \$350.00 after \$200.00 paid out-of-pocket; one Medicare eligible \$470.00 after \$400.00 paid out-of-pocket.

Effective July 1, 2005 through June 30, 2007, only a Medicare eligible retiree or survivor who lives in a non-service area would receive up to the following amounts in addition to the subsidy listed above after they have paid an out-of-pocket expense as set forth below. A non-service area is defined as an area in this state where the state retiree group insurance program or employer's retiree health insurance program does not provide or administer a health maintenance organization (HMO) for which the member or survivor is eligible.

The subsidy consists of up to the following amounts:

Single coverage Medicare eligible: \$170.00 after \$100.00 paid out-of-pocket.

Family coverage Medicare eligible with one dependent Medicare eligible: \$350.00 after \$200.00 paid out-of-pocket.

Family coverage member Medicare eligible: \$470.00 after \$400.00 paid out-of-pocket.

State Taxation Of PSPRS Benefits (A.R.S. §38-852 and §43-1022) Effective tax year commencing January 1, 1989, all PSPRS retirement benefits in excess of \$2500 annually will be subject to Arizona state tax.

Purchase Of Handgun Or Shotgun (A.R.S. §38-845) A PSPRS retiree has the ability to purchase the handgun or shotgun issued by the employer to the member at less than fair market value, subject to approval of the employer.

Note 2-Summary of Significant Accounting Policies and Plan Asset Matters:

Basis of Accounting

PSPRS financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits are recognized when due and payable in accordance with the terms of the System. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid. Furniture, fixtures and equipment purchases costing \$5,000 or more, when acquired, are capitalized at cost. Improvements, which increase the useful life of the property, are also capitalized. Investment income net of administrative and investment expenses is allocated to each employer group based on the average relative fund size for each employer group for that year.

Notes to the Financial Statements

The System implemented Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosure, issued in March 2003. This pronouncement requires additional disclosures presented in these notes but has no impact on the system's net assets. These disclosures address deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Additionally, Statement No. 40 requires disclosures of investments that have fair values that are highly sensitive to changes in interest rates.

The System had previously implemented Statement No. 25 of the Governmental Accounting Standards Board (GASB) for Fiscal Year End 1997. As such, the System reports assets on a Fair Value Basis. Certain cost information is provided for reference only and to comply with state law.

The System had previously implemented GASB Statement No. 34 for the Fiscal Year End 2002. The purpose of Statement No. 34 was to enhance the understandability and usefulness of state and local government financial reports. To accomplish this, Statement No. 34 requires supplemental information titled Management's Discussion and Analysis (MDA), which precedes the basic financial statements. The MDA provides an analytical overview of the government's financial activities.

Other GASB Statements were required to be implemented in conjunction with GASB Statement No. 34. Therefore, the System has also implemented the following GASB Statements: Statement No. 37 – Basic Financial Statements – and MDA for State and Local Governments-Omnibus; and, Statement No. 38 – Certain Financial Statement Note Disclosures.

By state statute, this System is required to provide information in the financial statements used to calculate Net Effective Yield. Net Effective Yield includes only realized gains and losses. The Net Realized Gains (Losses) used in this calculation totaled \$132,333,384 for FYE 2005 and \$38,558,687 for FYE 2004.

Cash

Custodial credit risk for deposits is the risk that in the event of a bank failure, the System's deposits may not be returned. The deposits are held in one financial institution with a balance of up to \$100,000 insured by the Federal Deposit Insurance Corporation (FDIC). The System mitigates custodial credit risk for deposits by requiring the financial institution to pledge securities from an acceptable list in an amount at least equal to 102% of the aggregate amount of the deposits on a daily basis.

In addition to the FDIC insurance coverage on the operating and money market accounts of PSPRS, Wells Fargo pledged the following security to PSPRS on June 30, 2005, as collateral:

\$25,000,000 FNMA Pool #782910 Maturity Date 06/01/34.

Cash balances represent both operating and cash accounts held by the bank and investment cash on deposit with the investment custodian. All deposits are carried at cost plus accrued interest. The following table is a schedule of the aggregate book and bank balances of all cash accounts as of June 30, 2005:

	Reported Amount	Bank Balance
Insured	-	4,328,939
Collateralized	2,742,837	2,954,930
Uninsured	-	-
Uncollateralized	-	-
Total Deposits	2,742,837	7,283,869

All monies shall be secured by the depository in which they are deposited and held to the same extent and in the same manner as required by the general depository law of the state.

Notes to the Financial Statements

Investments

PSPRS investments are reported at Fair Value, with the exception of directed real estate and venture capital investments that are reported at cost. Fair Values are determined as follows: Short-term investments are reported at Fair Value, which approximates Cost. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair market value as determined by one of the world's largest and most prominent fixed-income broker/dealers. Investments that do not have an established market are reported at estimated fair value. Investment income is recognized as earned.

Statutes enacted by the Arizona Legislature authorize the Fund Manager to make investments in accordance with the "Prudent Man" rule. The Fund Manager is not limited to so-called "Legal Investments for Trustees."

In making every investment, the Fund Manager shall exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income from their funds as well as the probable safety of their capital, provided:

- 1) That not more than seventy percent of the pension fund shall be invested at any given time in corporate stocks, based on cost value of such stocks irrespective of capital appreciation.
- 2) That not more than five percent of the pension fund shall be invested in securities issued by any one institution, agency or corporation, other than securities issued as direct obligations of and fully guaranteed by the United States Government.
- 3) That not more than five percent of the voting stock of any one corporation shall be owned.
- 4) That corporate stocks eligible for purchase shall

be restricted to stocks that, except for bank stocks and insurance stocks, are either:

- A) Listed or approved on issuance for listing on an exchange registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §7811);
- B) Designated or approved on notice of issuance for designation on the national market system of a national securities association registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §7811)
- C) Listed or approved on issuance for listing on an exchange registered under the laws of this [Arizona] state or any other state; or
- D) Listed or approved on issuance for listing on an exchange registered of a foreign country with which the United States is maintaining diplomatic relations at the time of purchase, except that no more than ten percent of the pension fund shall be invested in foreign equity securities on these exchanges, based on the cost value of the stocks irrespective of capital appreciation. A.R.S. §38-848.D

The System's investment portfolio is in compliance with state law.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the System. As of June 30, 2005, PSPRS' fixed income assets that were not government guaranteed represented 95.01% of the fixed income portfolio.

Notes to the Financial Statements

Each portfolio is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individuals quality tiers, and the average credit quality of the overall portfolios. According to those guidelines, the fixed income portfolio must have a minimum weighted average quality rating of A3/A-. Fixed income securities must have a minimum quality rating of Baa3/BBB- at the time purchase.

The portion of the bond portfolio in securities rated Baa3/BBB- through Baa1/BBB+ must be 20% or less of the fair value of the fixed income portfolio.

Included in the fixed income portfolio is cash equivalents or commercial paper. Commercial Paper must have a minimum quality rating of A-1/P-1 at the time of purchase. Investments in derivatives are limited to collateralized mortgage obligations (CMO), collateralized bond obligations (CBO), collateralized debt obligations (CDO), and asset-backed securities (ABS).

In preparing this report, collateral for securities lending has been excluded because it is invested in a securities lending collateral investment pool.

The following tables summarize the System's fixed income portfolio exposure levels and credit qualities.

Average Credit Quality and Exposure Levels of Non-government Guaranteed Securities

Fixed Income Security Type	Fair Value June 30, 2005	% of All Fixed Income Assets	Weighted Avg Credit	Dispersion Requiring Further Exposure
Corporate bonds	567,500,155	41.29%	A	See below
Mortgages	15,511,366	1.13%	AAA	None
Agencies	173,471,442	12.62%	AAA	None
CBO	50,217,780	3.65%	A	See below
CDO	28,773,792	2.09%	A	See below
Commercial Paper	276,388,385	20.11%	API	See below
Directed Real Estate	194,104,748	14.12%	None	None
Total	1,305,967,668	95.01%		

Ratings Dispersion Detail

Credit Rating Level	Corporate		Commercial Paper	
	Bonds	CBO	CDO	
AAA	26,418,661	8,254,166		
AA	49,796,622			
A	268,523,996	41,963,614	25,891,200	276,388,385
BBB	222,760,876		2,882,592	
BB				
Not rated				
Total	567,500,155	50,217,780	28,773,792	276,388,385

Notes to the Financial Statements

Concentration of credit risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. Other than bonds used as direct obligations of and fully guaranteed by the U.S. Government, not more than 5% of the Fund or its fixed income portfolio at fair value shall be invested in bonds issued by any one institution, agency or corporation.

Interest rate risk

Interest rate risk is the risk that changes in interest

rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using segmented time distributions. It is widely used in the management of fixed income portfolios in that it quantifies the risk of interest rate changes. The System does invest in fixed income securities with floating rates that contain coupon adjustment mechanisms in a rising interest rate environment.

The following tables quantify, to the fullest extent possible, the interest rate risk of the System's fixed income assets.

Segmented Time Distribution by Security Type (including Government Guaranteed Securities)

Fixed Income Security Type	Fair Value	Investment Maturities (in Years)					
		Less than 1	1 - 5	6 - 10	11-15	16-20	More than 20
Corporate bonds	583,011,522	46,093,850	95,505,315	79,409,607	72,248,036	48,455,340	241,299,374
Agencies	242,049,652	6,760,260	5,172,250	43,719,206	75,185,190	63,778,898	47,433,848
CBO	50,217,780		801,750	5,000,000	15,133,517		29,282,513
CDO	28,773,792			10,500,000			18,273,792
Commercial Paper	276,388,385	276,388,385					
Total	1,180,441,131	329,242,495	101,479,315	138,628,813	162,566,743	112,234,238	336,289,527

Callable Bonds by Security Type (including Government Guaranteed Securities)

Fixed Income Security Type	Fair Value June 30, 2005	% of All Fixed Income Assets
Corporate bonds	199,288,802	14.50%
Agencies	50,006,493	3.64%
CBO	7,200,000	0.52%
CDO	2,882,592	0.21%
Total	259,377,887	18.87%

Notes to the Financial Statements

Interest Rate Exposure by Security Type

Interest Rate Terms	Corporate			Total	% of All Fixed Income Assets
	Bonds	CDO	CBO		
Annual US LIBOR flat variable quarterly	16,048,125			16,048,125	1.17%
Quarterly US LIBOR + 80 bps variable quarterly	12,467,306			12,467,306	0.91%
Six month US LIBOR + 50 bps variable semi-annually	801,750			801,750	0.06%
Monthly US CPI YO + 118 variable monthly	10,623,636			10,623,636	0.77%
Monthly US CPI YO + 200 variable monthly	3,288,549			3,288,549	0.24%
Quarterly US LIBOR + 375 bps variable quarterly	2,800,000			2,800,000	0.20%
Quarterly US LIBOR + 230 bps variable quarterly		2,882,592		2,882,592	0.21%
Quarterly US LIBOR + 125 bps variable quarterly	10,201,250			10,201,250	0.74%
Monthly US CPI YO + 140 variable monthly	7,176,886			7,176,886	0.52%
Monthly US CPI YO + 150 variable monthly	19,998,900			19,998,900	1.45%
Monthly US CPI YO + 100 variable monthly	3,794,252			3,794,252	0.28%
Quarterly US LIBOR + 175 bps variable quarterly			7,200,000	7,200,000	0.52%
Quarterly US LIBOR + 27 bps variable quarterly	33,626,544			33,626,544	2.45%
Six month US LIBOR + 125 bps variable semi-annual	10,500,000			10,500,000	0.76%
Total	131,327,198	2,882,592	7,200,000	141,409,790	10.29%

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. Because it has no international holdings, PSPRS does not have any foreign currency risk exposure.

Security Lending Program

The System is party to a securities lending agreement with a bank. The bank, on behalf of the System, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized primarily by cash. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The System requires collateral of at least 102% of the fair value of the loaned U.S. Government or corporate security. Securities on loan are carried at fair value.

As of June 30, 2005 and 2004 the fair value of securities on loan was \$902,230,182 (consisting of Stocks-\$634,186,491, Corporate Bonds-\$92,314,011 and Treasuries and Agencies-\$175,729,680) and \$806,532,047 (consisting of Stocks-\$598,418,277, Corporate Bonds-\$54,643,928 and Treasuries and Agencies-\$153,469,842), respectively. The System receives a negotiated fee for its loan activities and is indemnified for broker default by the securities lending agent.

The System participates in a collateral investment pool. All security loans may be terminated on demand by either the lender or the borrower.

Notes to the Financial Statements

All matched loans shall have matched collateral investments.

The total cash collateral investments received for unmatched loans (any loan for which the cash collateral has not been invested for a specific maturity) will have a maximum effective duration of 233 days. And, at least 20% of total collateral investments shall be invested on an overnight basis. At June 30, 2005, the weighted average maturity was 20 days

for all investments purchased with cash collateral from unmatched loans. The System has no credit risk because the amounts owed to the borrowers exceed the amounts the borrowers owe to the System. Under this program, the System has not experienced any defaults or losses on these loans.

Investments as of June 30, 2005

Type of Investment	Investment at Cost	Investment at Fair Value*
Equities		
Out on Loan	550,816,495	634,186,491
Not on securities loan	1,926,352,869	2,564,265,172
Total	2,477,169,364	3,198,451,663
Treasury bonds		
Out on Loan	50,989,770	69,196,573
Not on securities loan	218,017	311,732
Total	51,207,787	69,508,305
Government bonds		
Out on Loan	103,683,725	106,533,107
Not on securities loan	65,147,973	66,938,335
Total	168,831,698	173,471,442
Corporates		
Out on Loan	86,097,017	92,314,011
Not on securities loan	531,322,711	569,689,082
Total	617,419,728	662,003,093
Total Investments		
Out on Loan	791,587,007	902,230,182
Not on securities loan	2,523,041,570	3,201,204,321
Total	3,314,628,577	4,103,434,503

*Fair values provided by the custodial bank for securities lending includes accrued interest.

Notes to the Financial Statements

Capital Assets

These assets are stated at cost, and depreciable assets are depreciated using the straight-line method over the estimated life of the asset. Repairs and maintenance are charged to expense as incurred. Depreciation expense for June 30, 2005 and 2004 was \$92,225 and \$11,905, respectively. A new office facility located at 3010 E. Camelback Road was purchased in June of 2004. The property consists of a two-story building, the bottom floor of which is fully leased.

The administrative staff of the System moved into the new office facility in July 2004 and occupies the second floor. The administrative staff previously occupied property located at 1020 E. Missouri, which was sold in September 2004.

The table below is a schedule of the capital asset account balances as of June 30, 2004, and June 30, 2005, and changes to those account balances during the year ended June 30, 2005.

Schedule of Capital Asset Account Balances

<u>Capital Assets</u>	<u>Land</u>	<u>Building and Improvements</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Total Capital Assets</u>
Balance June 30, 2004	654,167	4,098,711	136,897	4,889,775
Additions	-	12,340	133,692	146,032
Deletions	(158,731)	(1,106,676)	(55,459)	(1,320,866)
Balance June 30, 2005	495,436	3,004,375	215,130	3,714,941
Accumulated Depreciation				
Balance June 30, 2004	-	205,234	55,459	260,693
Additions	-	74,251	17,974	92,225
Deletions	-	(205,234)	(55,459)	(260,693)
Balance June 30, 2005	-	74,251	17,974	92,225
Net capital assets June 30, 2005	495,436	2,930,124	197,156	3,622,716

Notes to the Financial Statements

NOTE 3 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The Retirement System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities and assets in excess of actuarial accrued liabilities are being amortized as a level percent of payroll over a rolling twenty (20) year period. Beginning with fiscal year 2001-2002, the employer contribution rate shall not be less than two per cent of compensation. Beginning July 1, 2006, the minimum employer contribution rate will increase from 2% to 5%.

During the year ended June 30, 2005, contributions totaling \$172,444,656 (\$104,497,150 employer and \$67,947,506 member) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2003. The employer contributions consisted of approximately \$107,304,536 for normal cost less (\$2,807,386) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 10.05% of covered payroll. [10.32% for normal costs and (0.27)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 7.65% of covered payroll and are attributable to normal costs.

During the year ended June 30, 2004, contributions totaling \$142,978,635 (\$79,000,130 employer and \$63,978,505 member) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2002. The employer contributions consisted of approximately \$109,079,650 for normal cost less (\$30,079,520) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 7.66% of covered payroll. [11.61% for normal costs and (3.95)% for amortization of assets in excess of the actuarial accrued liability in aggregate.]

Member contributions represented 7.65% of covered payroll and are attributable to normal costs.

NOTE 4 – OTHER BENEFITS

In addition to the retirement benefits provided through the PSPRS, the System also administers a Fire Fighter Cancer Insurance Policy Program. Participating employers that employ fire fighters shall participate in the program. The program is a welfare benefit plan or trust intended to pay expenses incurred in the treatment of cancer as provided in the policy of insurance secured or established by the Fund Manager pursuant to A.R.S. 38-642. The participating employers fund the program by paying annual premiums. The Fund Manager sets the premium, not to exceed \$180, for every active fire fighter on record. By statute, benefits are limited to the assets in the program and those benefits may be reduced or eliminated at any time.

PSPRS also adopted a supplemental defined contribution plan for all contributing members of an eligible group. An eligible group is defined as the employees of the Fund Manager, PSPRS, the Elected Officials' Retirement Plan and the Corrections Officer Retirement Plan. The employees of any of these eligible groups must make an election to participate within two years after the employee first meets the eligibility requirements to participate in the plan. The election to participate is irrevocable and continues for the remainder of the employee's employment with the employer. If an employee elects to participate, the employee must contribute at least 1% of the employee's gross compensation. The IRS maintains that the Employers designate the amounts contributed by each employee. All amounts contributed are subject to the discretion and control of the Employer. Employee contributions and earnings to the plan are immediately vested.

Notes to the Financial Statements

Employer contributions, if any, are vested based on the following schedule:

Less than one year of service	0%
One year but less than two	20%
Two years but less than three	40%
Three years but less than four	60%
Four years but less than five	80%
Five years or more	100%

PSPRS administers the supplemental defined contribution plan through a third party administrator. All contributions are sent directly to the third party administrator from the participating employer groups.

NOTE 5 – PLAN TERMINATION

PSPRS and its related plans are administered in accordance with Arizona statutes. These statutes do provide for termination of the plans under A.R.S. 41-3006.02. The plans are scheduled to terminate on July 1, 2006, pending the results of a sunset review by the legislature and the auditor general's office.

NOTE 6 – CONTINGENCIES

Some of our real estate partners in the investments categorized as "other investments" have obtained third party financing, which is secured by real property. The System has entered into Capital Call Agreements with regards to these third party financing arrangements. The Capital Call Agreements, in the unlikely event of default, limit the System to the amount of the defaulted payment or

the original terms of the investment approved by the Fund Manager, whichever is less.

At June 30, 2005, PSPRS had 1,472 members participating in the deferred retirement option plan (DROP). A full description of the deferred retirement option plan can be found under Note 2, Summary of Benefits. The cumulative balance for these deferred retirement option plan participation accounts was \$186,376,863 as of June 30, 2005. Management is assuming the majority of the members will not terminate employment prior to the completion of their designated DROP period.

As a result, some members will be completing their participation period beginning July 1, 2006. For the fiscal year, 2006-07, approximately 511 members will terminate employment and DROP.

NOTE 7 – REQUIRED SCHEDULES

The Schedule of Funding Progress and the Schedule of Employer Contributions are presented immediately following the notes to the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

While not any one or two numeric indices can fully describe the financial condition of a retirement system, the ratio of unfunded actuarial accrued liabilities to active member payroll is significant. The ratio of unfunded actuarial accrued liabilities to member payroll is a relative index of condition where inflation is present in both items. Observation of the ratio over a period of years gives an indication of funding achievement. The smaller the index, the stronger the system's condition. Shown below is a Comparative Schedule (\$ in thousands) since legislation was enacted in 1977, setting up a 40-year amortization schedule. Effective June 30, 1997, Unfunded (Excess) Actuarial Accrued Liabilities are being amortized on a level percent method over a rolling twenty (20) year period.

Actuarial Valuation Date	Actuarial Value of Assets (a) ²	Actuarial Accrued Liability (AAL) at Entry Age (b)	Unfunded (Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-77	\$ 198,449	\$ 252,662	\$ 54,213	78.5%	\$ 97,177	55.8%
6-30-78	\$ 234,751	\$ 281,716	\$ 46,965	83.3%	\$ 109,359	42.9%
6-30-79	\$ 276,500	\$ 322,354	\$ 45,854	85.8%	\$ 125,667	36.5%
6-30-80	\$ 323,768	\$ 371,873	\$ 48,105	87.1%	\$ 144,371	33.3%
6-30-81 *	\$ 381,720	\$ 407,302	\$ 25,582	93.7%	\$ 165,055	15.5%
6-30-82	\$ 446,529	\$ 475,147	\$ 28,618	94.0%	\$ 185,650	15.4%
6-30-83 1	\$ 519,155	\$ 557,232	\$ 38,077	93.2%	\$ 199,736	19.1%
6-30-84 *	\$ 599,945	\$ 617,369	\$ 17,424	97.2%	\$ 217,163	8.0%
6-30-85 *	\$ 693,159	\$ 706,779	\$ 13,620	98.1%	\$ 244,094	5.6%
6-30-86 *	\$ 816,882	\$ 802,038	\$ (14,844)	101.9%	\$ 268,511	-5.5%
6-30-87 *1	\$ 919,931	\$ 915,089	\$ (4,842)	100.5%	\$ 299,559	-1.6%
6-30-88 *	\$ 1,037,988	\$ 1,026,251	\$ (11,737)	101.1%	\$ 321,750	-3.6%
6-30-89 *1	\$ 1,164,003	\$ 1,156,502	\$ (7,501)	100.6%	\$ 345,743	-2.2%
6-30-90 *	\$ 1,297,562	\$ 1,322,781	\$ 25,219	98.1%	\$ 371,950	6.8%
6-30-91 *	\$ 1,432,023	\$ 1,470,778	\$ 38,755	97.4%	\$ 402,687	9.6%
6-30-92 *	\$ 1,595,739	\$ 1,605,890	\$ 10,151	99.4%	\$ 415,471	2.4%
6-30-93 *	\$ 1,769,345	\$ 1,758,746	\$ (10,599)	100.6%	\$ 425,811	-2.5%
6-30-94 *	\$ 1,945,166	\$ 1,932,046	\$ (13,120)	100.7%	\$ 451,022	-2.9%
6-30-95 *	\$ 2,181,351	\$ 2,117,733	\$ (63,618)	103.0%	\$ 496,063	-12.8%
6-30-96 *	\$ 2,487,953	\$ 2,328,276	\$ (159,677)	106.9%	\$ 541,231	-29.5%
6-30-97 *	\$ 2,915,173	\$ 2,533,435	\$ (381,738)	115.1%	\$ 579,341	-65.9%
6-30-98 *	\$ 3,192,627	\$ 2,743,998	\$ (448,629)	116.3%	\$ 625,222	-71.8%
6-30-99 *	\$ 3,709,251	\$ 3,082,202	\$ (627,049)	120.3%	\$ 682,184	-91.9%
6-30-00 *	\$ 4,260,168	\$ 3,415,157	\$ (845,011)	124.7%	\$ 751,280	-112.5%
6-30-01 *	\$ 4,661,941	\$ 3,674,758	\$ (987,183)	126.9%	\$ 826,740	-119.4%
6-30-02 *	\$ 4,684,386	\$ 4,144,211	\$ (540,175)	113.0%	\$ 854,249	-63.2%
6-30-03 *	\$ 4,781,377	\$ 4,739,613	\$ (41,764)	100.9%	\$ 881,285	-4.7%
6-30-04 *	\$ 4,774,313	\$ 5,167,333	\$ 393,020	92.4%	\$ 911,718	43.1%
6-30-05 *	\$ 4,886,963	\$ 5,951,937	\$ 1,064,974	82.1%	\$ 974,863	109.2%

* One-time cost-of-living adjustments for retired members and survivors, effective July 1 were included in this valuation. Future increases for retirees and their survivors are dependent upon excess earnings created by the System.

1. Significant benefit changes were enacted by the 1983 Legislature, the 1987 Legislature and the 1989 Legislature, respectively.
2. A smoothed market value of assets was used for the June 30, 2004 valuation. This method spreads the difference between actual and expected investment return over seven years. Prior to the June 30, 2003 valuation (and after June 30, 1995), the difference was spread over four years.

AAL is calculated using the entry-age normal method. Significant assumptions used in determining AAL include: (a) a rate of return on the investment of present and future assets of 8.50% per year compounded annually; (b) projected salary increases of 6.00% per year compounded annually, attributable to an assumed inflation rate of 5.00% and other across-the-board factors of 1.0%; and (c) additional projected salary increases ranging from 0.0% to 3.0% per year, depending on age, attributable to seniority/merit.

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Employer Contributions	
	Annual Required Contributions	Percentage Contributed
1990	\$19,854,866	100.00%
1991	\$27,845,260	100.00%
1992	\$35,813,576	100.00%
1993	\$41,332,044	100.00%
1994	\$41,197,876	100.00%
1995	\$40,455,946	100.00%
1996	\$46,369,942	100.00%
1997	\$52,469,969	100.00%
1998	\$45,320,932	100.00%
1999	\$44,384,344	100.00%
2000	\$46,890,892	100.00%
2001	\$52,540,310	100.00%
2002	\$51,983,407	100.00%
2003	\$50,800,669	100.00%
2004	\$79,000,130	100.00%
2005	\$104,497,150	100.00%

SUPPORTING SCHEDULE OF CHANGES IN FUND BALANCE RESERVES

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	Refundable Members' Reserve	Employers' Reserve	Future Benefit Increase Reserve
Balance - June 30, 2003	\$ 543,817,016	\$ 2,820,595,730	\$ 468,125,352
Distribution of Revenues and Expenses			
Members' Contributions	63,978,505		
Employers' Contributions		79,000,130	
Earnings (Loss) on Investments Net of Investment Expenses		562,613,259	
Pension and Insurance Benefits		(229,885,444)	
Refunds to Terminated Members	(4,292,284)	(2,098,359)	
Administrative Expenses		(1,099,932)	
Distribution of Transfers			
Excess Investment Earnings to be used for Future Benefit Increases		(107,495,840)	107,495,840
Earnings (Loss) on Excess Investment Earnings Account Assets		(70,064,321)	70,064,321
Amount Utilized by Benefit Increases Granted		77,066,484	(77,066,484)
Net Transfers from Other State-Sponsored Pension Plans and Purchase of Service Credits	8,176,003	805,096	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(17,200,175)	17,200,175	
Balance - June 30, 2004	\$ 594,479,065	\$ 3,146,636,979	\$ 568,619,029
Distribution of Revenues and Expenses			
Members' Contributions	67,947,506		
Employers' Contributions		104,497,150	
Earnings (Loss) on Investments Net of Investment Expenses		383,530,412	
Pension and Insurance Benefits		(257,449,083)	
Refunds to Terminated Members	(5,208,796)	(2,438,648)	
Administrative Expenses		(1,599,784)	
Distribution of Transfers			
Excess Investment Earnings to be used for Future Benefit Increases		(2,198,002)	2,198,002
Earnings (Loss) on Excess Investment Earnings Account Assets		(51,818,252)	51,818,252
Amount Utilized by Benefit Increases Granted		85,121,958	(85,121,958)
Net Transfers from Other State-Sponsored Pension Plans and Purchase of Service Credits	8,419,930	608,129	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(21,925,240)	21,925,240	
Balance - June 30, 2005	\$ 643,712,465	\$ 3,426,816,099	\$ 537,513,325

SUPPORTING SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES
SUPPORTING SCHEDULE OF PAYMENTS TO CONSULTANTS

FOR THE YEAR ENDED JUNE 30, 2005

	Administrative	Investment	Total
Accounting and Auditing Services	\$ 7,300	\$ -	\$ 7,300
Actuarial Services	74,475	-	74,475
Computer Equipment	33,310	6,605	39,915
Contractual Services	3,679	729	4,408
Depreciation Expense	5,938	1,177	7,115
Fund Manager Initiatives	244,879	48,551	293,430
Furniture and Equipment	985	195	1,180
Investment Services	-	2,542	2,542
Occupancy Expenses	11,327	2,246	13,573
Office Supplies	12,841	2,546	15,387
Payroll Taxes and Fringe Benefits	200,745	115,616	316,361
Postage Expenses	31,415	6,229	37,644
Printing, Publications and Subscriptions	12,762	2,530	15,292
Professional Services	78,207	15,505	93,712
Salaries and Wages	838,310	444,678	1,282,988
Telephone Expenses	11,359	2,252	13,611
Training Expenses	29,889	40,411	70,300
Travel Expenses	2,363	469	2,832
	<u>\$ 1,599,784</u>	<u>\$ 692,281</u>	<u>\$ 2,292,065</u>

Consultants

<u>Consultants</u>	<u>Fees Paid</u>
Rodwan & Nichols - Consulting Actuaries	81,490
Barrows & Schatza, P.L.C. - Auditors	7,300
Cortex Applied Research Inc.	105,443
Stratford Advisory Group, Inc.	55,471
Mercer Consulting	32,670
Alliance Resource Consulting	17,785
Lieberman, Dodge, Gerding, Kothe & Anderson, Ltd. - Legal Counsel	180,887
	<u>\$ 481,046</u>

SUPPLEMENTAL SCHEDULE OF
CASH RECEIPTS AND CASH DISBURSEMENTS

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
RECEIPTS		
Members' Contributions	\$ 68,134,988	\$ 64,036,170
Employers' Contributions	103,700,225	77,701,371
Interest	96,047,560	76,350,830
Dividends	46,794,712	28,242,469
Real Estate Income (Net)	49,373	37,860
Securities Lending Income	1,046,215	1,488,535
Amounts Transferred from Other State-Sponsored Pension Plans and Purchase of Service Credits	9,156,465	9,177,385
Maturities and Sales of		
U.S. Government Securities	65,020,946	100,088,707
Corporate Bonds	160,013,727	342,800,828
Corporate Notes	7,860,859,824	6,884,928,193
Other Investments	216,563,135	45,981,917
Common Stock	871,292,516	424,046,477
Real Estate Property	1,442,799	-
Net Decrease in Money Market Fund	5,923,213	-
Total Receipts	9,506,045,698	8,054,880,742
DISBURSEMENTS		
Pension Benefits	257,449,083	229,885,444
Refunds to Terminated Members	7,647,443	6,390,643
Investment and Administrative Expenses	2,306,751	1,638,873
Amounts Transferred to Other State-Sponsored Pension Plans	128,407	196,287
Due from Other Pension Plans	2,111,761	-
Acquisitions of		
U.S. Government Securities	127,312,828	-
Corporate Bonds	211,470,704	218,605,861
Corporate Notes	7,972,321,289	6,805,254,122
Other Investments	161,991,885	74,200,489
Common Stock	762,841,445	706,980,678
Real Estate Property	416,751	4,195,989
Net Increase in Money Market Fund	-	7,532,356
Total Disbursements	9,505,998,347	8,054,880,742
INCREASE IN CASH	47,352	-
BEGINNING CASH BALANCE - July 1	-	-
ENDING CASH BALANCE - June 30	\$ 47,352	\$ -

INVESTMENT SECTION

THIRTY-SEVENTH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2005

Fund Objectives
Investment Performance Data
Supporting Schedule of Commissions Paid to Brokers
Summary of Changes in Investment Portfolio
Detailed List of Investments Acquired
Detailed List of Sales and Redemption of Investments
Detailed List of Investments Owned

FUND OBJECTIVES

As adopted by the Fund Manager Motion 05-37-05

- The objective of the Fund is to ensure the integrity of the Public Safety Personnel Retirement System in order to adequately fund benefit levels for members as stated in Title 38, Chapter 5, articles 3, 4 and 6 of the Arizona Revised Statutes and as amended from time to time by the Legislature. To achieve the objective, the Fund will do the following:
 1. Maintain a goal for the Fund's assets to be equal to the Fund's liabilities within any twenty-year period;
 2. Annually adjust the employer contribution rates based on the recommendations made by the annual actuarial valuations;
 3. Determine a reasonable contribution rate necessary to fund benefits approved by the legislature and then reduce the variation in the employer contribution rate over time to the Fund;
 4. Preserve and enhance the capital of the Fund through effective management of the portfolio in order to take advantage of attractive opportunities various markets and market sectors have to offer;
 5. Provide the opportunity for increased benefits for retirees as the legislature may from time to time enact through systematic growth of the investments of the fund.
- Consistent with the Fund objectives, the primary investment objective of the Fund is to maximize long-term real (after inflation) investment returns recognizing established risk (volatility) parameters and the need to preserve capital by:
 1. Deriving a reasonable asset allocation model that attempts to fully achieve the primary investment objective, over the long term,
 2. Consistent with these policies and the direction of the Fund Manager, strategically allocating within asset classes and investment styles in order to enhance investment returns. This strategic allocation must at all times be within ranges set forth in these Policies.
 3. Regularly reviewing the status of investments,
 4. Regularly assessing the need to adjust the mix, type and composition of the investment classes within the allocation ranges.
- The possibility of short-term declines in the market value of the Fund or the Fund's assets is a recognized consequence of achieving potentially higher long-term investment returns.
- The time horizon for evaluating total fund investment performance shall be long-term.

**STANDARD
& POOR'S**

**Standard & Poor's Investment
Advisory Services LLC**

55 Water Street, 42nd Floor
New York, NY 10041-0003
212 438 3737 Tel
212 438 3929 Fax

September 1, 2005

The Fund Manager
Public Safety Personnel Retirement System
of the State of Arizona
3010 E. Camelback Rd., Ste 200
Phoenix, Arizona 85016

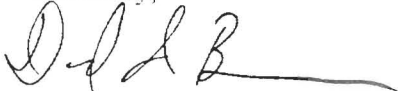
Dear Sirs:

The attached charts and tables depict the investment performance for the Public Safety Retirement System of the State of Arizona. The performance results shown are based entirely on data provided by the plan's staff and does not constitute an audit on Standard & Poor's part. We note that Standard & Poor's has assumed that all data that has been supplied by the staff is accurate and complete and that Standard & Poor's has not taken steps to verify same. We also note that the performance was calculated under the assumption that cash inflows and outflows take place uniformly throughout each month.

The performance data include realized and unrealized capital gains and losses, as well as interest and dividend income earned by the fund. We believe these computations were performed in accordance with accepted CFA Institute procedures.

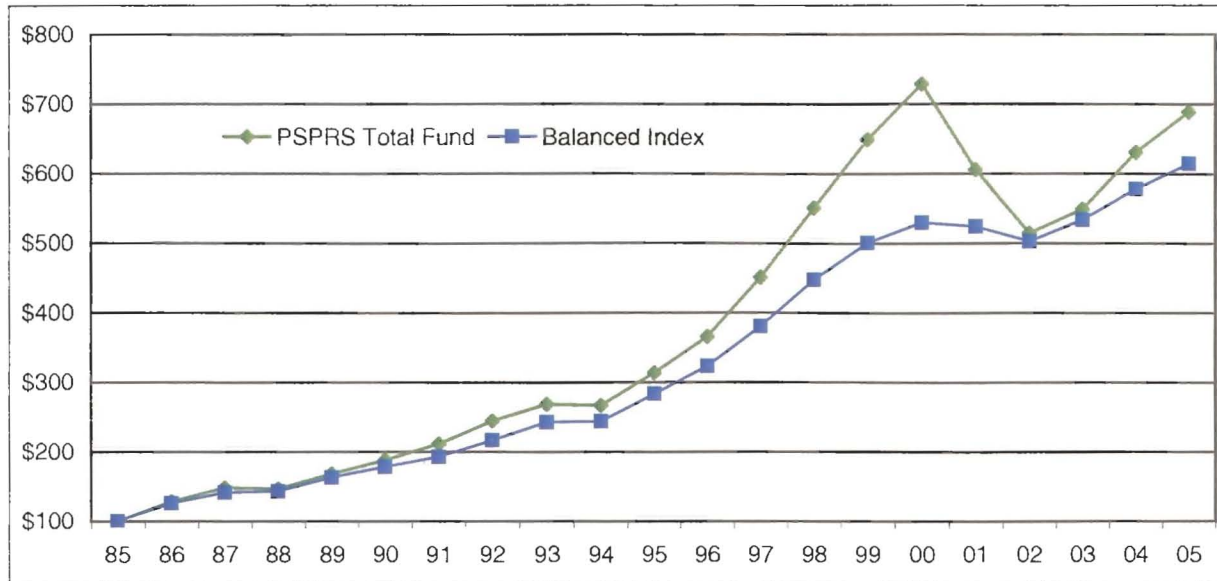
Based on the foregoing, during the past fiscal year, the stock portfolio outperformed the NYSE and S&P 500 indices, while the bond portfolio outperformed the Lehman Government/Credit Index. The overall fund outperformed a custom benchmark, using bond and stock indices weighted in a fixed proportion. The overall fund has attained a rate of return over the past twenty years (in line with the actuarial assumptions of the fund) that compares favorably with this custom index.

Sincerely,



David J. Braverman
Vice President

Investment Performance Data
Cumulative Return - Total Fund



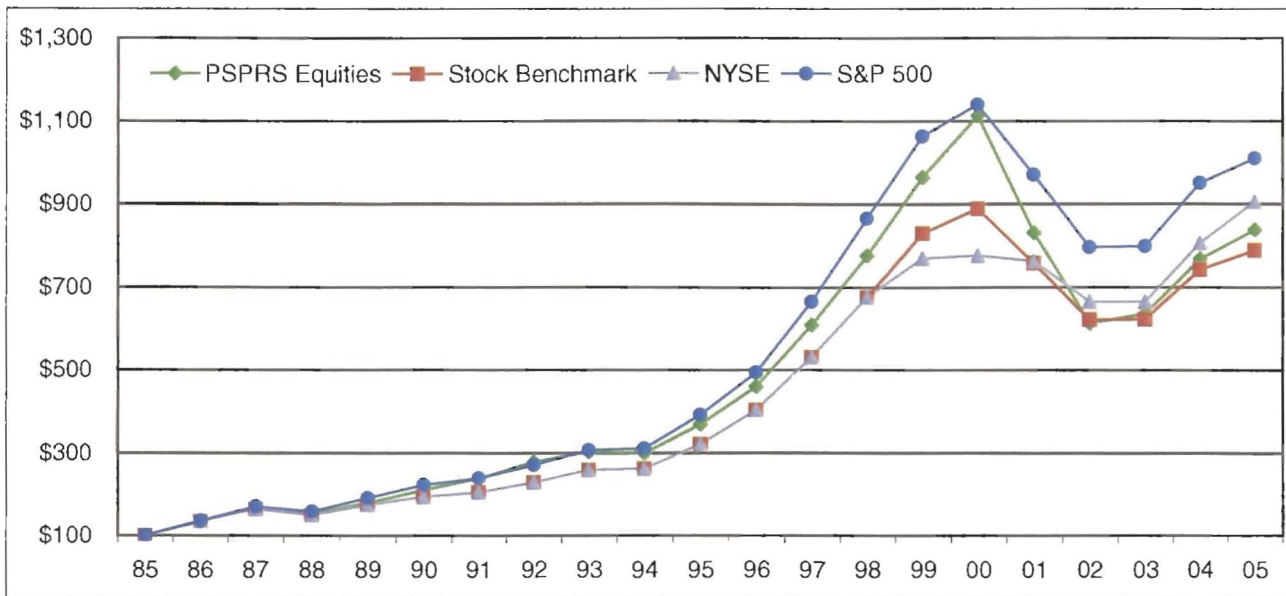
FYE	Fair Value	Contribution	Total Return	Balanced Index*	
06-30-05	\$ 4,575,693,026	\$ (78,197,193)	9.11%	6.32%	
06-30-04	\$ 4,269,667,526	\$ (91,371,331)	14.97%	8.38%	
06-30-03	\$ 3,797,874,751	\$ (99,343,854)	6.67%	6.18%	
06-30-02	\$ 3,663,355,981	\$ (74,748,840)	-15.07%	-4.13%	
06-30-01	\$ 4,392,242,834	\$ (58,899,769)	-16.86%	-1.07%	
06-30-00	\$ 5,346,760,140	\$ (40,728,025)	12.31%	5.75%	
06-30-99	\$ 4,799,032,031	\$ (42,171,100)	17.69%	11.94%	
06-30-98	\$ 4,117,504,057	\$ (27,295,036)	22.24%	17.66%	
06-30-97	\$ 3,393,713,299	\$ (15,244,314)	23.43%	17.87%	
06-30-96	\$ 2,764,579,315	\$ (13,627,135)	16.45%	13.98%	
06-30-95	\$ 2,387,258,324	\$ (11,730,534)	17.69%	16.30%	
06-30-94	\$ 2,040,534,626	\$ (3,736,636)	-0.71%	0.25%	
06-30-93	\$ 2,058,778,434	\$ (5,497,735)	9.76%	12.26%	
06-30-92	\$ 1,880,846,956	\$ 9,729,880	15.89%	12.12%	
06-30-91	\$ 1,614,307,083	\$ 10,925,999	12.21%	8.32%	
06-30-90	\$ 1,428,631,192	\$ 7,099,861	11.82%	9.21%	
06-30-89	\$ 1,270,848,790	\$ 19,119,731	14.70%	13.98%	
06-30-88	\$ 1,089,934,034	\$ 15,123,458	-1.10%	1.19%	
06-30-87	\$ 1,086,519,311	\$ 21,366,628	15.50%	12.61%	
06-30-86	\$ 921,122,839	\$ 17,116,567	28.34%	25.50%	
Annualized Returns			1-year	9.11%	6.32%
			2-year	12.00%	7.35%
			3-year	10.20%	6.96%
			5-year	-1.13%	3.02%
			10-year	8.18%	8.06%
			15-year	9.03%	8.61%
			20-year	10.12%	9.50%

*The Balanced Index is calculated using the following formula: 45% Stock Benchmark + 45% Lehman Govmnt/Credit + 10% 91 Day T-bill.

Our investment universe is the New York Stock Exchange (NYSE) prior to July 21, 1997. Prior to FYE June 30, 1998, the Fund's stock benchmark was the NYSE Composite. S&P 500 is the stock benchmark for each FYE thereafter. The Lehman Government/Credit bond index includes more than 5,000 publicly traded bond issues of \$25 million or more rated Baa or better for a total market value of more than \$2 trillion.

Prior to 1990, the weightings in each asset class were calculated using the fiscal year-end market values. Since 1990, the asset class weightings have been calculated using the average weightings of the quarter's beginning and ending market values.

Investment Performance Data
Cumulative Return - Domestic Equities



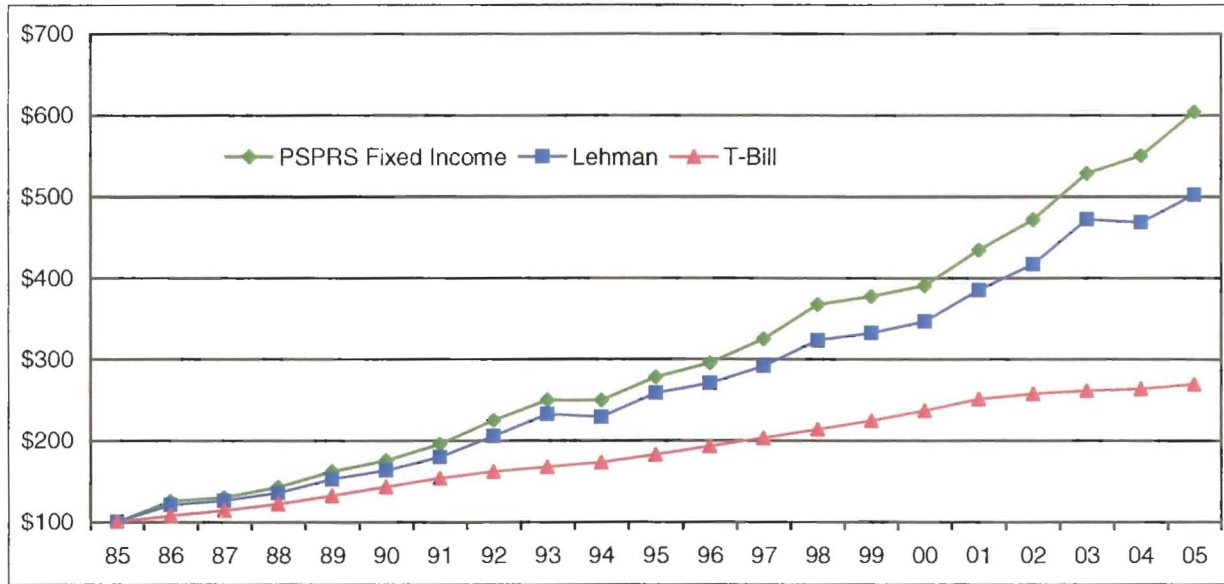
FYE	Fair Value	Contribution	Total Return	Stock* Benchmark	NYSE Index	S&P 500
06-30-05	\$ 3,198,451,663	\$ (155,436,947)	9.13%	6.31%	12.46%	6.31%
06-30-04	\$ 3,091,719,228	\$ 254,050,069	20.70%	19.11%	21.28%	19.11%
06-30-03	\$ 2,323,385,091	\$ 45,720,114	3.62%	0.25%	-0.05%	0.25%
06-30-02	\$ 2,210,717,178	\$ 8,307,260	-26.12%	-17.99%	-12.80%	-17.99%
06-30-01	\$ 2,977,526,884	\$ (139,900,329)	-25.35%	-14.83%	-1.77%	-14.83%
06-30-00	\$ 4,149,828,967	\$ 91,069,097	15.31%	7.25%	0.84%	7.25%
06-30-99	\$ 3,510,963,034	\$ (24,956,479)	24.42%	22.76%	13.86%	22.76%
06-30-98	\$ 2,847,416,226	\$ 62,789,349	27.36%	27.29%	27.29%	30.16%
06-30-97	\$ 2,189,785,301	\$ 12,414,490	32.48%	31.51%	31.51%	34.71%
06-30-96	\$ 1,646,181,750	\$ 72,955,246	24.62%	25.91%	25.91%	26.00%
06-30-95	\$ 1,249,064,319	\$ (73,778,340)	23.49%	22.40%	22.40%	26.06%
06-30-94	\$ 1,079,624,319	\$ 17,567,044	-1.18%	1.24%	1.24%	1.23%
06-30-93	\$ 1,076,135,294	\$ 20,148,748	8.72%	13.32%	13.32%	13.52%
06-30-92	\$ 924,885,669	\$ 27,758,211	17.00%	11.59%	11.59%	13.45%
06-30-91	\$ 765,961,738	\$ 100,051,684	12.96%	5.50%	5.50%	7.39%
06-30-90	\$ 586,485,375	\$ 38,836,422	17.97%	11.25%	11.25%	16.44%
06-30-89	\$ 463,610,700	\$ (27,032,573)	16.78%	16.81%	16.81%	20.53%
06-30-88	\$ 423,707,612	\$ (94,474,445)	-10.56%	-8.57%	-8.57%	-6.92%
06-30-87	\$ 583,885,788	\$ 65,257,942	29.10%	21.46%	21.46%	25.08%
06-30-86	\$ 395,006,488	\$ (57,644,263)	32.17%	34.36%	34.36%	35.83%

Annualized Returns	1-year	9.13%	6.31%	12.46%	6.31%
	2-year	14.77%	12.53%	16.78%	12.53%
	3-year	10.92%	8.28%	10.88%	8.28%
	5-year	-5.52%	-2.38%	3.15%	-2.38%
	10-year	8.55%	9.42%	10.95%	9.94%
	15-year	9.65%	9.81%	10.82%	10.63%
	20-year	11.21%	10.88%	11.65%	12.26%

*Our investment universe is the New York Stock Exchange (NYSE) prior to July 21, 1997. Prior to FYE June 30, 1998, the Fund's stock benchmark was the NYSE Composite. S&P 500 is the stock benchmark for each FYE thereafter.

Prior to 1990, the weightings in each asset class were calculated using the fiscal year-end market values. Since 1990, the asset class weightings have been calculated using the average weightings of the quarter's beginning and ending market values.

Investment Performance Data
Cumulative Return - Fixed Income



FYE	Fair Value	Contribution	Total Return**	Lehman*	91-Day T-Bill
06-30-05	\$ 1,377,241,363	\$ 77,241,754	9.76%	7.26%	2.15%
06-30-04	\$ 1,177,948,298	\$ (345,421,401)	4.19%	-0.71%	0.98%
06-30-03	\$ 1,474,489,661	\$ (145,063,968)	12.06%	13.14%	1.53%
06-30-02	\$ 1,452,638,803	\$ (83,056,100)	8.59%	8.24%	2.57%
06-30-01	\$ 1,414,715,950	\$ 81,000,560	11.14%	11.14%	5.89%
06-30-00	\$ 1,196,931,173	\$ (131,797,122)	3.50%	4.29%	5.53%
06-30-99	\$ 1,288,068,997	\$ (17,214,621)	2.73%	2.69%	4.90%
06-30-98	\$ 1,270,087,831	\$ (90,084,385)	12.97%	11.08%	5.28%
06-30-97	\$ 1,203,927,998	\$ (27,658,804)	10.14%	7.76%	5.43%
06-30-96	\$ 1,118,397,565	\$ (86,582,381)	6.13%	4.65%	5.52%
06-30-95	\$ 1,138,194,005	\$ 62,047,807	11.53%	12.75%	5.52%
06-30-94	\$ 960,910,163	\$ (21,303,679)	-0.16%	-1.45%	3.37%
06-30-93	\$ 982,643,140	\$ (15,007,410)	11.00%	13.15%	3.37%
06-30-92	\$ 955,961,286	\$ (18,028,331)	14.90%	14.17%	5.19%
06-30-91	\$ 848,345,345	\$ (89,127,685)	11.47%	10.21%	7.55%
06-30-90	\$ 842,145,817	\$ (31,736,561)	8.33%	7.11%	8.50%
06-30-89	\$ 807,238,090	\$ 46,152,304	13.55%	12.33%	8.47%
06-30-88	\$ 666,226,422	\$ 109,597,902	9.69%	7.47%	6.75%
06-30-87	\$ 502,633,523	\$ (43,891,314)	3.99%	4.68%	6.17%
06-30-86	\$ 526,116,351	\$ 74,760,830	25.23%	20.63%	7.61%

Annualized Returns	1-year	2-year	3-year	5-year	10-year	15-year	20-year
	9.76%	6.94%	8.62%	9.11%	8.06%	8.58%	9.41%
	7.26%	3.20%	6.41%	7.71%	6.88%	7.78%	8.40%
	2.15%	1.56%	1.55%	2.61%	3.96%	4.30%	5.09%

*The Lehman Government/Credit bond index includes more than 5,000 publicly traded bond issues of \$25 million or more and rated Baa or better for a total market value of more than \$2 trillion.

Prior to 1990, the weightings in each asset class were calculated using the fiscal year-end market values. Since 1990, the asset class weightings have been calculated using the average weightings of the quarter's beginning and ending market values.

**The Fixed Income Portfolio is comprised of all Bonds, Notes, Other Investments and Money Market. The total return as of 6/30/05 for the Fixed Income Portfolio can be broken down as follows: Government Bonds -- 7.13%; Corporate Bonds -- 11.06%; Directed Real Estate/Other -- 16.33%; Cash -- 2.36%

SUPPORTING SCHEDULE OF COMMISSIONS PAID TO BROKERS

FISCAL YEAR ENDED JUNE 30, 2005

Broker	Number of Shares Traded	Average Commission	Commissions
BNY Brockerage	1,050,000	0.050	\$ 52,500.00
Greenberg Financial Group	5,506,747	0.048	\$ 262,250.00
Investors Capital Corporation	1,722,200	0.050	\$ 85,645.00
ISI Group, Inc.	4,025,250	0.049	\$ 197,762.50
Merrill Lynch	3,651,930	0.048	\$ 173,596.50
Morgan Stanley/Dean Witter	4,051,950	0.050	\$ 202,587.50
Salomon Smith Barney--Phoenix	2,700,500	0.050	\$ 135,025.00
Salomon Smith Barney--Scottsdale	3,429,600	0.047	\$ 160,230.00
Samco Financial Services, Inc.	4,496,003	0.048	\$ 217,996.15
Standard & Poor's Securities	4,175,872	0.050	\$ 206,793.60
U. S. Financial Investments, Inc.	3,122,750	0.050	\$ 156,137.50
UBS/Paine Webber	4,774,200	0.048	\$ 230,845.00
Total Commissions	42,707,002	0.049	\$ 2,081,368.75

The System typically pays \$.05 per share traded plus SEC charges on sale transactions. Over the Counter stocks are typically traded net of commissions. The firms with an average commission of less than \$.05 have traded Over the Counter stocks net of commissions for the System.

The Plan participates in a soft dollar arrangement with the following brokers. The Plan directs transactions to these brokers in exchange for brokerage and research services.

- (1) Standard & Poor's Securities, Inc., the value of these services is approximately \$167,750
- (2) ISI Group, Inc., the value of these services is approximately \$91,500
- (3) Investors Capital Corporation, the value of these services is approximately \$39,650
- (4) Merrill Lynch, the value of these services is approximately \$12,810
- (5) UBS Paine Webber, the value of these services is approximately \$18,910

SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Description	Percent at Fair Value	Balance June 30, 2004		Acquisitions	Maturities and Sales	(Premium) Discount	Balance June 30, 2005		Percent at Fair Value
		Fair Value	Book Value				Fair Value	Book Value	
U.S. Treasury Obligations	2.20%	93,923,360.00	78,158,444.74	-	26,974,976.08	24,318.76	68,578,210.00	51,207,787.42	1.50%
Federal Agency Obligations	2.03%	86,658,870.19	79,564,135.10	127,312,827.54	38,094,557.67	49,293.25	173,471,442.49	168,831,698.22	3.79%
Total U.S. Government Securities	4.23%	180,582,230.19	157,722,579.84	127,312,827.54	65,069,533.75	73,612.01	242,049,652.49	220,039,485.64	5.29%
Corporate Bonds	13.76%	587,530,848.06	553,051,803.96	211,470,703.89	146,293,089.54	(809,690.54)	662,003,093.43	617,419,727.77	14.47%
Total Bond Portfolio	17.99%	768,113,078.25	710,774,383.80	338,783,531.43	211,362,623.29	(736,078.53)	904,052,745.92	837,459,213.41	19.76%
Corporate Notes	3.86%	164,926,919.99	164,926,919.99	7,972,321,289.32	7,860,859,824.31	-	276,388,385.00	276,388,385.00	6.04%
Common Stock	72.41%	3,091,719,228.28	2,478,685,590.13	762,841,445.41	764,357,671.69	-	3,198,451,663.18	2,477,169,363.85	69.90%
Other Investments	5.53%	236,289,601.66	236,289,601.66	161,991,884.82	204,176,738.76	-	194,104,747.72	194,104,747.72	4.25%
Money Market Account	0.20%	8,618,697.98	8,618,697.98	-	5,923,213.44	-	2,695,484.54	2,695,484.54	0.05%
Total Portfolio	100.00%	4,269,667,526.16	3,599,295,193.56	9,235,938,150.98	9,046,680,071.49	(736,078.53)	4,575,693,026.36	3,787,817,194.52	100.00%

INVESTMENTS ACQUIRED BONDS ACQUIRED

JULY 1, 2004 THROUGH JUNE 30, 2005

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Security	Coupon	Maturity	Purchase Price	Par Value	Principal	(Premium) Discount	Accrued Interest	Total Amount	Book Yield
FEDERAL AGENCY OBLIGATIONS									
FNMA 4.40 12/25/12	4.4000	12/25/12	99.57812	7,771,588.64	7,738,802.25	32,786.39	25,646.24	7,764,448.49	4.42%
FNMA 4.45 08/25/12	4.4500	08/25/12	99.53125	14,174,523.49	14,108,080.41	66,443.08	35,042.57	14,143,122.98	4.47%
FNMA 5.00 12/30/10 (Reclassified)	5.0000	12/30/10	100.00000	6,500,000.00	6,500,000.00	-	-	6,500,000.00	5.00%
FNMA 5.00 11/15/12	5.0000	11/15/12	100.00000	3,600,000.00	3,600,000.00	-	4,500.00	3,604,500.00	5.00%
FNMA 5.00 11/25/21	5.0000	11/25/21	99.21875	4,000,000.00	3,968,750.00	31,250.00	11,666.67	3,980,416.67	5.04%
FNMA 6.00 05/24/19	6.0000	05/24/19	99.93000	23,700,000.00	23,683,410.00	16,590.00	268,600.00	23,952,010.00	6.00%
FNMA FNR 2003-42 EP	4.0000	11/25/22	97.78125	19,023,324.56	18,601,244.55	422,080.01	35,932.95	18,637,177.50	4.09%
FNMA FNR 2005-27 AB	5.5000	02/25/34	100.37500	4,350,000.00	4,366,312.50	(16,312.50)	18,608.33	4,384,920.83	5.48%
FNMA FNR 2005-27 AC	5.5000	08/25/34	100.31250	9,018,000.00	9,046,181.25	(28,181.25)	38,577.00	9,084,758.25	5.48%
FNMA FNR 2005-45 BG	4.5000	06/25/25	96.09375	13,919,000.00	13,375,289.06	543,710.94	45,236.75	13,420,525.81	4.68%
FREDDIE MAC 5.000 08/10/2012	5.0000	08/10/12	100.00000	10,900,000.00	10,900,000.00	-	1,513.89	10,901,513.89	5.00%
FREDDIE MAC 5.000 07/02/2018 (Reclassified)	5.0000	07/02/18	91.13322	3,143,577.52	3,143,577.52	-	-	3,143,577.52	5.00%
FREDDIE MAC 5.250 11/05/2012	5.2500	11/05/12	100.99000	8,200,000.00	8,281,180.00	(81,180.00)	29,895.83	8,311,075.83	5.20%
TOTAL FED AGENCY OBLIG ACQUIRED				128,300,014.21	127,312,827.54	987,186.67	515,220.23	127,828,047.77	
CORPORATE BONDS									
AMERICAN AIRLINES	7.8580	10/01/11	101.00000	1,200,000.00	1,212,000.00	(12,000.00)	27,503.00	1,239,503.00	7.78%
BAYERISCHE LANDESBANK	11.0000	09/27/11	100.00000	8,100,000.00	8,100,000.00	-	-	8,100,000.00	11.00%
BEAR STEARNS CO INC	9.5000	09/22/11	100.00000	8,100,000.00	8,100,000.00	-	-	8,100,000.00	9.50%
CBO HOLDINGS SPIRIT 2004-3A	6.5000	06/01/19	99.00000	16,200,000.00	16,038,000.00	162,000.00	-	16,038,000.00	6.57%
DAIMLER CHRYSLER FLOATER	3.8900	09/26/05	100.25000	12,450,000.00	12,481,125.00	(31,125.00)	51,121.08	12,532,246.08	3.88%
HARTFORD LIFE GLOBAL FDG TRUST	4.4500	03/15/10	99.25000	10,800,000.00	10,719,000.00	81,000.00	-	10,719,000.00	4.48%
HUTCHISON WHAMPOA FINANCIAL	7.4500	08/01/17	110.51200	4,550,000.00	5,028,296.00	(478,296.00)	118,641.25	5,146,937.25	6.74%
JPM CAPITAL TRUST I	7.5400	01/15/27	107.35000	7,600,000.00	8,158,600.00	(558,600.00)	208,522.89	8,367,122.89	7.02%
LEHMAN BROS HDLGS FLOAT 05/14	4.9700	05/12/14	100.00000	3,300,000.00	3,300,000.00	-	10,784.22	3,310,784.22	4.97%
MMCAPS FUNDING I LTD/INC	8.0300	06/15/31	111.97000	4,621,942.73	5,175,189.27	(553,246.54)	120,621.15	5,295,810.42	7.17%
MMCAPS FUNDING I LTD/INC	8.0300	06/15/31	110.00000	1,560,399.47	1,716,439.42	(156,039.95)	18,795.01	1,735,234.43	7.30%
MMCAPS FUNDING I LTD/INC	8.0300	06/15/31	114.47000	1,481,391.90	1,695,749.31	(214,357.41)	13,878.17	1,709,627.48	7.01%
MMCAPS FUNDING I LTD/INC	8.0300	06/15/31	114.47000	1,777,670.28	2,034,899.17	(257,228.89)	17,050.33	2,051,949.50	7.01%
MORGAN STANLEY	4.7500	04/01/14	96.75000	7,600,000.00	7,353,000.00	247,000.00	21,058.33	7,374,058.33	4.91%
NORTH STREET 2001-3A CTFS	6.4800	04/30/31	86.25000	2,800,000.00	2,415,000.00	385,000.00	16,128.00	2,431,128.00	7.51%
ORIGEN 2002-A M2	8.8500	05/15/32	94.96875	2,000,000.00	1,899,375.00	100,625.00	9,341.67	1,908,716.67	9.32%
PACIFIC SHORES CDO	4.8600	07/03/37	91.75000	2,900,284.07	2,661,010.63	239,273.44	16,836.15	2,677,846.78	5.30%
PETROLIAM NASIONAL BERHD PETROL 144A	7.6250	10/15/26	112.75000	820,000.00	924,550.00	(104,550.00)	20,320.63	944,870.63	6.76%
PETROLIAM NASIONAL BERHD PETROL 144A	7.6250	10/15/26	112.75000	4,100,000.00	4,622,750.00	(522,750.00)	101,603.13	4,724,353.13	6.76%

INVESTMENTS ACQUIRED
BONDS ACQUIRED

JULY 1, 2004 THROUGH JUNE 30, 2005

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Security	Coupon	Maturity	Purchase Price	Par Value	Principal	(Premium) Discount	Accrued Interest	Total Amount	Book Yield
PREMAT ACA TRUST SERIES 1	4.2300	03/11/10	100.00000	2,160,000.00	2,160,000.00	-	9,898.20	2,169,898.20	4.23%
PREMAT ACA TRUST SERIES 1	4.2300	03/11/10	100.00000	8,000,000.00	8,000,000.00	-	2,820.00	8,002,820.00	4.23%
PRINCIPAL LIFE INC FDG FRN	4.6500	03/01/12	97.62500	7,339,080.00	7,164,776.85	174,303.15	26,179.40	7,190,956.25	4.76%
PROTECTIVE LIFE CPI+150	4.1500	05/10/10	100.00000	20,250,000.00	20,250,000.00	-	-	20,250,000.00	4.15%
REG DIVERSIFIED FUNDING SR NOTES	9.2500	03/15/30	113.50000	12,227,869.68	13,878,632.04	(1,650,762.36)	477,566.24	14,356,198.28	8.15%
TOYOTA MTR CREDIT FLTR	3.9700	10/27/08	100.00000	3,850,000.00	3,850,000.00	-	-	3,850,000.00	3.97%
TRAINER WORTHAM FIRST REP CBO	4.3600	04/10/37	62.12500	7,200,000.00	4,473,000.00	2,727,000.00	42,728.00	4,515,728.00	7.02%
US CELLULAR CORP	6.7000	12/15/33	98.15400	4,250,000.00	4,171,545.00	78,455.00	60,113.89	4,231,658.89	6.83%
WASHINGTON MUTUAL INC	3.4800	11/03/05	100.10960	33,600,000.00	33,636,825.60	(36,825.60)	90,944.00	33,727,769.60	3.48%
WESTINGHOUSE ELECTRIC	7.8750	09/01/23	117.42200	8,730,000.00	10,250,940.60	(1,520,940.60)	280,724.06	10,531,664.66	6.71%
TOTAL CORPORATE BONDS ACQUIRED				209,568,638.13	211,470,703.89	(1,902,065.76)	1,763,178.80	213,233,882.69	
TOTAL BONDS ACQUIRED				337,868,652.34	338,783,531.43	(914,879.09)	2,278,399.03	341,061,930.46	

INVESTMENTS ACQUIRED
SHORT TERM INVESTMENTS MATURED

JULY 1, 2004 THROUGH JUNE 30, 2005

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Description	Cost	Amount of Interest	Maturity Value
AIR LIQUIDE US	\$32,909,250.00	\$90,750.00	\$33,000,000.00
ALCON CAPITAL CORPORATION	\$28,969,066.66	\$30,933.34	\$29,000,000.00
ALTAMIRA FUNDING	\$23,976,853.33	\$23,146.67	\$24,000,000.00
AMSTERDAM FUNDING CORP	\$56,923,234.17	\$76,765.83	\$57,000,000.00
ARCHER DANIELS MIDLAND	\$10,032,163.92	\$836.08	\$10,033,000.00
ASSET ONE SECURITIZATION	\$155,308,266.93	\$191,733.07	\$155,500,000.00
ATLANTIS ONE FUNDING	\$35,297,564.16	\$52,435.84	\$35,350,000.00
AUSTRA CORP	\$28,958,183.61	\$41,816.39	\$29,000,000.00
AUTOBAHN FUNDING CORP	\$234,083,139.50	\$216,860.50	\$234,300,000.00
BARTON CAPITAL CORP	\$93,706,123.76	\$43,876.24	\$93,750,000.00
BAVARIA UNIVERSAL FUNDING	\$29,955,666.67	\$44,333.33	\$30,000,000.00
BEETHOVEN FUNDING CORPORATION	\$261,931,731.08	\$367,124.48	\$262,298,855.56
BELLSOUTH CORPORATION	\$73,344,374.54	\$55,203.79	\$73,399,578.33
BNP PARIBAS	\$30,961,250.00	\$38,750.00	\$31,000,000.00
BRYANT PARK FUNDING LLC	\$24,954,166.66	\$45,833.34	\$25,000,000.00
CARGILL INC	\$63,594,674.53	\$5,325.47	\$63,600,000.00
CDC COMMERCIAL PAPER PROGRAM	\$71,294,923.97	\$5,076.03	\$71,300,000.00
CENTRICA PLC	\$37,970,740.00	\$29,260.00	\$38,000,000.00
CHARTA LLC	\$80,419,284.67	\$180,715.33	\$80,600,000.00
CHECK POINT CHARLIE INC	\$56,198,214.86	\$101,785.14	\$56,300,000.00
CLIPPER RECEIVABLES	\$19,997,116.67	\$2,883.33	\$20,000,000.00
CRC FUNDING LLC	\$16,465,350.00	\$34,650.00	\$16,500,000.00
EDISON ASSET SECURITIZATION	\$28,998,993.05	\$1,006.95	\$29,000,000.00
EXPORT DEVELOPMENT CORP	\$64,986,814.17	\$13,185.83	\$65,000,000.00
GALLEON CAPITAL	\$260,477,735.11	\$22,264.89	\$260,500,000.00
GIRO FUNDING (US)	\$27,797,644.72	\$2,355.28	\$27,800,000.00
GOTHAM FUNDING	\$82,273,797.45	\$26,202.55	\$82,300,000.00
GREYHAWK FUNDING LLC	\$25,476,065.41	\$23,934.59	\$25,500,000.00
HANNOVER FUNDING	\$119,261,343.67	\$138,656.33	\$119,400,000.00
INTESSA FUNDING	\$126,016,053.58	\$33,946.42	\$126,050,000.00
IXIS COMM PAPER	\$5,999,498.33	\$501.67	\$6,000,000.00
KFW INTERNATIONAL FINANCE	\$34,475,457.08	\$24,542.92	\$34,500,000.00
LEXINGTON PARKER CAPITAL CORP	\$29,997,458.33	\$2,541.67	\$30,000,000.00
LIBERTY STREET FUNDING	\$134,795,142.61	\$154,857.39	\$134,950,000.00
MARKET STREET FUNDING	\$77,655,426.60	\$144,573.40	\$77,800,000.00
MARSH & MCLENNAN	\$11,993,280.00	\$6,720.00	\$12,000,000.00
MAXIMILIAN CAPITAL CORP	\$53,537,538.78	\$62,461.22	\$53,600,000.00
MCGRAW HILL COMPANY	\$30,797,433.33	\$2,566.67	\$30,800,000.00
MERRILL LYNCH & CO, INC.	\$185,871,095.13	\$147,318.20	\$186,018,413.33
NATIONAL AUSTRALIA FUNDING	\$73,453,266.11	\$46,733.89	\$73,500,000.00
NEPTUNE FUNDING	\$95,303,020.83	\$196,979.17	\$95,500,000.00
NORDDEUTSCHE LANDESBANK	\$217,568,034.44	\$231,965.56	\$217,800,000.00
ORANGE & ROCKLAND UTILITY	\$28,399,021.78	\$978.22	\$28,400,000.00
PARADIGM FUNDING	\$245,967,104.49	\$232,895.51	\$246,200,000.00
PEPSICO	\$43,980,697.78	\$19,302.22	\$44,000,000.00
PUBLIC SQUARE FUNDING II	\$828,809,805.99	\$90,194.01	\$828,900,000.00
REGENCY MARKETS NO. 1	\$201,248,529.11	\$351,470.89	\$201,600,000.00
SAINT GERMAIN HOLDINGS LTD	\$30,948,548.62	\$51,451.38	\$31,000,000.00

INVESTMENTS ACQUIRED
SHORT TERM INVESTMENTS MATURED

JULY 1, 2004 THROUGH JUNE 30, 2005

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Description	Cost	Amount of Interest	Maturity Value
SBC COMMUNICATIONS	\$34,997,025.00	\$2,975.00	\$35,000,000.00
STARBIRD FUNDING CORPORATION	\$624,310,271.74	\$89,728.26	\$624,400,000.00
STEAMBOAT FUNDING	\$234,521,086.56	\$78,913.44	\$234,600,000.00
SUNBELT FUNDING CORP	\$18,957,883.33	\$42,116.67	\$19,000,000.00
SWEDBANK	\$27,035,358.97	\$64,641.03	\$27,100,000.00
TASMAN FUNDING	\$19,971,383.34	\$28,616.66	\$20,000,000.00
TELSTRA CORP LIMITED	\$48,171,789.62	\$28,210.38	\$48,200,000.00
THREE CROWNS FUNDING	\$87,813,162.76	\$186,837.24	\$88,000,000.00
THUNDER BAY FUNDING	\$39,977,055.55	\$22,944.45	\$40,000,000.00
TOTAL CAPITAL SA	\$220,650,321.93	\$49,678.07	\$220,700,000.00
TRANSAMERICA ASSET FUNDING	\$79,184,575.25	\$215,424.75	\$79,400,000.00
TRIPLE A-1 FUNDING	\$59,856,858.64	\$43,141.36	\$59,900,000.00
UBS AMERICAS INC	\$626,243,120.55	\$56,879.45	\$626,300,000.00
UBS FINANCE (DELAWARE)	\$462,855,758.56	\$344,241.44	\$463,200,000.00
UNILEVER CAPITAL	\$30,998,630.84	\$1,369.16	\$31,000,000.00
UNITED HEALTHCARE	\$31,185,056.11	\$44,943.89	\$31,230,000.00
UNITED TECH CORP	\$37,968,069.44	\$8,370.56	\$37,976,440.00
USAA CAPITAL CORP	\$24,994,875.00	\$5,125.00	\$25,000,000.00
VICTORY REC CORP	\$18,583,476.99	\$16,523.01	\$18,600,000.00
WELLS FARGO & COMPANY	\$219,298,874.23	\$101,125.77	\$219,400,000.00
WESTPAC TRUST NZ	\$43,978,000.00	\$22,000.00	\$44,000,000.00
WINDMILL FUNDING CORPORATION	\$23,421,144.45	\$78,855.55	\$23,500,000.00
WORLD OMNI VEHICLE LEASING	\$214,086,184.12	\$113,815.88	\$214,200,000.00
YORKSHIRE BUILDING SOCIETY	\$21,995,648.89	\$4,351.11	\$22,000,000.00
YORKTOWN CAPITAL LLC	\$76,464,066.25	\$35,933.75	\$76,500,000.00
TOTAL SHORT TERM INVESTMENTS MATURED	7,860,859,824.31	5,396,462.91	7,866,256,287.22

INVESTMENTS ACQUIRED
COMMON STOCK ACQUIRED

JULY 1, 2004 THROUGH JUNE 30, 2005

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Company	No. Shares	Dividend Rate	Annual Income	Book Yield	Average Cost	Book Cost
ABERCROMBIE & FITCH	100,000	0.50	50,000	1.35	37.16	3,716,060.00
AETNA INC	100,000	0.04	4,000	0.05	80.57	8,056,880.00
AFFILIATED COMPUTER SERVICES	200,000	-	-	-	57.01	11,402,773.21
AIRGAS INC	50,000	0.24	12,000	0.97	24.80	1,239,922.50
ALCAN INC	100,000	0.60	60,000	1.50	39.96	3,996,270.96
ALPHARMA INC 'A'	76,000	-	-	-	18.27	1,388,892.85
AMERICAN INT'L GROUP	275,000	0.50	137,500	0.88	56.77	15,611,700.00
ANSYS INC.	42,200	-	-	-	31.45	1,327,385.40
AUTOMATIC DATA PROCESSING	149,900	0.62	92,938	1.44	42.94	6,436,211.33
AVAYA INC	250,000	-	-	-	14.49	3,621,750.00
BALL CORP	100,000	0.40	40,000	0.94	42.45	4,245,400.00
BANK OF AMERICA CORPORATION	150,000	2.00	300,000	4.51	44.35	6,652,500.00
BEAR STEARNS COMPANY	300,000	1.00	300,000	1.11	90.47	27,141,030.14
BED BATH & BEYOND	500,000	-	-	-	39.08	19,537,650.70
BEST BUY CO INC	625,000	0.44	275,000	0.85	51.95	32,466,890.79
BIOMET INC	150,000	1.00	150,000	2.71	36.92	5,537,280.04
BOEING CO.	100,000	1.00	100,000	1.66	60.39	6,038,960.00
BROOKS AUTOMATION INC	72,800	-	-	-	17.45	1,270,199.84
BURLINGTON NORTHERN SANTE FE	417,700	0.68	284,036	1.50	45.31	18,926,125.89
CACI INTERNATIONAL	20,400	-	-	-	66.86	1,363,861.26
CAREMARK RX INC	92,000	-	-	-	41.75	3,840,935.60
CARPENTER TECHNOLOGY	27,800	-	-	-	47.24	1,313,222.91
CEC ENTERTAINMENT	42,500	-	-	-	30.80	1,308,970.25
CENTURY TELEPHONE INC	250,000	0.24	60,000	0.70	34.08	8,519,461.20
CHEVRON CORP	400,000	1.80	720,000	2.44	73.90	29,558,784.50
CINERGY CORP	136,500	1.92	262,080	4.58	41.90	5,719,345.13
CISCO SYSTEMS	125,000	-	-	-	20.38	2,547,375.00
CNF INC	300,000	0.40	120,000	0.83	48.05	14,415,440.18
COGNEX CORP	46,000	-	-	-	28.43	1,307,838.68
COLGATE PALMOLIVE CO	100,000	1.16	116,000	2.19	52.90	5,289,590.00
COLONIAL PROPERTY TRUST	37,000	2.70	99,900	7.33	36.83	1,362,547.20
COMMERCIAL METALS	47,000	-	-	-	26.95	1,266,483.74
CONSTELLATION ENERGY GROUP INC	101,700	-	-	-	39.75	4,042,575.00
COOPER COMPANIES	200,500	0.06	12,030	0.08	78.22	15,682,745.50
CORN PRODUCTS INTL INC	43,900	-	-	-	29.78	1,307,159.98
COVANCE INC	325,000	-	-	-	43.11	14,009,180.31
CVS CORP	325,000	0.29	94,250	0.54	53.22	17,296,528.66
DELL INC	625,000	-	-	-	39.42	24,635,682.11
DEVON ENERGY CORPORATION	300,000	0.30	90,000	0.49	60.68	18,204,772.35
DOMINION RESOURCES INC	200,000	-	-	-	75.40	15,080,000.00
DOW CHEMICAL	450,000	1.34	603,000	3.13	42.86	19,286,072.53
EDO CORPORATION	54,700	-	-	-	23.92	1,308,434.87
EDUCATION MANAGEMENT	106,700	-	-	-	29.19	3,114,609.50
ENERGEN CORP	30,000	0.80	24,000	1.34	59.59	1,787,640.00
EXELON CORP	125,000	1.60	200,000	3.44	46.55	5,818,577.66
FEDEX CORPORATION	200,000	0.32	64,000	0.33	96.02	19,204,213.19
FISERV INC	450,000	-	-	-	36.01	16,203,953.40
FLOWERS FOODS	42,000	-	-	-	30.99	1,301,681.84
FMC CORP	150,000	-	-	-	47.92	7,188,009.03
FORTUNE BRANDS, INC.	100,000	1.32	132,000	1.78	74.15	7,415,020.00
GAMESTOP CORP 'A'	62,200	-	-	-	21.12	1,313,934.88
GENENTECH, INC.	150,000	-	-	-	50.69	7,603,428.90
GRAINGER (W W) INC	200,000	0.96	192,000	1.55	61.78	12,355,940.11
GUITAR CENTER INC	366,000	-	-	-	52.11	19,073,259.02
HAEMONETICS CORP.	63,200	-	-	-	37.40	2,363,561.36
HILB, ROGAL & HAMILTON	37,700	-	-	-	33.80	1,274,260.00

INVESTMENTS ACQUIRED
COMMON STOCK ACQUIRED

JULY 1, 2004 THROUGH JUNE 30, 2005

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Company	No. Shares	Dividend Rate	Annual Income	Book Yield	Average Cost	Book Cost
HUMANA INC	150,000	-	-	-	33.46	5,019,293.34
HYDRIL	29,200	-	-	-	44.96	1,312,766.25
INGERSOLL-RAND 'A'	329,200	1.00	329,200	1.35	74.28	24,452,391.42
JO-ANN STORES, INC	48,000	-	-	-	27.36	1,313,299.27
JOHNSON & JOHNSON CO	200,000	1.32	264,000	2.27	58.20	11,639,444.00
JP MORGAN CHASE & CO	150,000	1.36	204,000	3.78	35.97	5,396,085.00
KAYDON CORP	128,000	-	-	-	31.52	4,034,854.34
KEITHLEY INSTRUMENTS	36,300	-	-	-	17.82	646,790.96
LANCE, INC	85,100	0.64	54,464	4.19	15.29	1,301,065.91
LEHMAN BROTHERS HOLDINGS	300,000	0.80	240,000	0.95	83.82	25,145,684.44
LINEAR TECHNOLOGY CORP	150,000	0.40	60,000	1.02	39.05	5,857,500.00
MAXIM INTEGRATED PRODUCTS INC	100,000	0.40	40,000	0.91	44.02	4,402,490.00
MCAFEЕ INC	200,000	-	-	-	28.44	5,688,280.00
NAUTILUS GROUP INC	70,400	-	-	-	18.81	1,324,364.67
NEXTEL PARTNERS 'A'	600,000	-	-	-	17.10	10,261,285.00
ONEOK INC	155,300	1.12	173,936	4.86	23.06	3,581,225.65
PACIFIC SUNWEAR OF CALIFORNIA	300,250	-	-	-	22.66	6,803,201.27
PFIZER INC.	150,000	0.76	114,000	2.36	32.27	4,840,431.96
PHOTON DYNAMICS	27,200	-	-	-	19.72	536,442.00
PROCTER & GAMBLE COMPANY	100,000	1.12	112,000	2.06	54.40	5,439,560.00
QUALCOMM INCORPORATED	600,000	0.36	216,000	0.89	40.55	24,332,743.72
QUANEX CORP	26,000	0.54	14,040	1.07	50.33	1,308,676.20
RALCORP HOLDINGS INC	38,500	-	-	-	34.33	1,321,685.27
RESPIRONICS INC	26,250	-	-	-	46.64	1,224,239.29
SKYWEST INC	81,600	0.12	9,792	0.75	16.03	1,308,183.90
SOUTH FINANCIAL GROUP	41,000	0.64	26,240	2.01	31.81	1,304,033.70
SOVRAN SELF STORAGE	33,000	2.42	79,860	5.69	42.51	1,402,787.67
SPECTRUM BRANDS INC.	48,600	-	-	-	27.95	1,358,607.24
STAPLES, INC.	125,000	0.25	31,250	0.83	30.27	3,783,895.05
STEAK N SHAKE	100,000	-	-	-	18.97	1,897,216.45
SYSCO CORPORATION	125,000	0.60	75,000	1.78	33.79	4,223,441.70
UGI CORP	33,500	0.68	22,780	1.72	39.55	1,324,925.00
UNITED NATURAL FOODS	49,600	-	-	-	26.71	1,325,035.80
UNITED PARCEL SERVICE	400,000	1.32	528,000	1.80	73.24	29,295,451.21
UTI WORLDWIDE INC	75,000	0.60	45,000	0.86	69.98	5,248,793.97
VERITY, INC	31,650	-	-	-	11.75	371,993.10
VERIZON COMMUNICATIONS	300,000	1.62	486,000	4.29	37.75	11,325,200.00
WACHOVIA CORP	200,000	1.84	368,000	3.51	52.42	10,483,819.52
WELLPOINT INC	225,000	-	-	-	107.85	24,266,660.00
WINNEBAGO INDUSTRIES INC	150,000	0.28	42,000	0.78	35.76	5,363,500.26
ZIMMER HOLDINGS INC	100,000	-	-	-	80.75	8,075,121.38
TOTAL COMMON STOCK ACQUIRED	16,210,050		8,130,296.00		47.06	762,841,445.41

INVESTMENTS ACQUIRED
OTHER INVESTMENTS ACQUIRED

JULY 1, 2004 THROUGH JUNE 30, 2005

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Name	Coupon	Maturity	Book Cost
<i>APEX CAPITAL FUND 1</i>			
BUCKEYE	11.000		215,998.60
CIBOLA VISTA (ENGLE)	11.000		196,345.62
CIBOLA VISTA (LENNAR)	11.000		312,067.38
COPPER CREEK	11.000		580,526.99
CORTESSA	11.000		305,956.47
DOBBINS POINT	11.000		253,200.54
HIGHLAND GROVES	11.000		357,415.57
RIO PASEO	11.000		549,547.46
SORRENTO	11.000		1,516,940.01
TRES RIO	11.000		460,881.58
WESTPARK	11.000		207,735.18
TOTAL APEX CAPITAL FUND 1 ACQUIRED			4,956,615.40
<i>BRIDGE FINANCIAL</i>			
BRIDGE FINANCIAL-GRAND INN (WRITE OFF BALANCE)	12.500	09/25/00	(1,349,960.10)
BRIDGE FINANCIAL-GRAND INN NOTE	10.000	09/10/05	606,000.00
TOTAL BRIDGE FINANCIAL ACQUIRED			(743,960.10)
<i>DESERT TROON DEBT</i>			
BUZZARD/BURRELL FARMS	9.000		6,908,400.00
FAIRWAYS CORPORATE CENTER	9.000		8,520,360.00
PERIMETER CENTER	9.000		11,206,960.00
TRAILSIDE POINT	9.000		399,152.00
TOTAL DESERT TROON DEBT ACQUIRED			27,034,872.00
<i>DESERT TROON EQUITY</i>			
BEST IN THE WEST			16,935,680.00
BUZZARD/BURRELL FARMS			2,908,800.00
DTRI,LLC - DESERT OASIS			7,110,400.00
DTRI,LLC - TRAILSIDE POINT			601,152.00
FAIRWAYS			3,555,200.00
HASSAYAMPA			4,136,960.00
LA MIRADA			3,425,920.00
PERIMETER (224K BLDG)			5,171,200.00
PROSPECT			969,600.00
SEVILLE OFFICE			1,163,520.00
SEVILLE RETAIL			2,714,880.00
TORREON			4,136,960.00
TOTAL DESERT TROON EQUITY ACQUIRED			52,830,272.00
<i>DIVERSIFIED FUNDING GROUP</i>			
WORKING CAPITAL	5.000		64,640.00
TOTAL DIVERSIFIED FUNDING GROUP ACQUIRED			64,640.00
<i>PIVOTAL DEBT</i>			
CIMARRON	9.200		15,013,108.70
COLORADO	9.200		11,392,800.00
COLORADO II	9.200		5,373,200.00
PROMONTORY	9.200		15,239,133.45
RED MOUNTAIN	9.200		2,302,563.60
SANDIA	9.200		3,050,081.80
WORKING CAPITAL	9.200		38,376.06
TOTAL PIVOTAL DEBT ACQUIRED			52,409,263.61

INVESTMENTS ACQUIRED
OTHER INVESTMENTS ACQUIRED

JULY 1, 2004 THROUGH JUNE 30, 2005

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Name	Coupon	Maturity	Book Cost
PIVOTAL EQUITY			
COLORADO	10.000		2,181,600.00
NXTV, LLC	0.000		5,090,400.00
PIVOTAL CIMARRON, LLC	10.000		2,327,040.00
PIVOTAL SANDIA, LLC	10.000		2,545,200.00
PIVOTAL SCOTTSDALE 123, LLC	10.000		945,360.00
TOTAL PIVOTAL EQUITY ACQUIRED			13,089,600.00
SBA LOANS			
ASAYO HOLDING. LTD.	9.500		7,109.14
TOTAL SBA LOANS ACQUIRED			7,109.14
MISCELLANEOUS			
DESERT TROON FINANCE, LLC	10.000	08/27/05	1,927,443.60
PIVOTAL DEBT FUND	10.000	12/01/11	4,068,280.00
PROSPECTOR EQUITY CAPITAL	0.000	06/01/09	917,446.12
VALLEY VENTURES III	8.000	09/17/06	3,528,616.80
WHISPERING CANYON	13.000		1,901,686.25
TOTAL MISCELLANEOUS ACQUIRED			12,343,472.77
TOTAL OTHER INVESTMENTS ACQUIRED			161,991,884.82

SALES AND REDEMPTION OF INVESTMENTS
BONDS SOLD

JULY 1, 2004 THROUGH JUNE 30, 2005

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Security	Coupon	Maturity	Par Value	Sale Price	Accrued Interest	Principal	Amortized Cost	Gain or (Loss)	Amount Due
U.S. TREASURY OBLIGATIONS									
U.S. TREASURY BOND 10.000 05/15/2010	10.000	05/15/10	15,000,000.00	100.00000	-	15,000,000.00	15,016,787.94	(16,787.94)	15,000,000.00
U.S. TREASURY BOND 10.375 11/15/2009	10.375	11/15/09	10,000,000.00	100.00000	-	10,000,000.00	9,966,796.50	33,203.50	10,000,000.00
U.S. TREASURY BOND 11.750 02/15/2010	11.750	02/15/10	2,000,000.00	100.00000	-	2,000,000.00	1,991,391.64	8,608.36	2,000,000.00
TOTAL U.S. TREASURY OBLIGATIONS			27,000,000.00			27,000,000.00	26,974,976.08	25,023.92	27,000,000.00
FEDERAL AGENCY OBLIGATIONS									
Detailed information for the redemptions of Federal Agency Obligations are too lengthy to include in this report; therefore, only totals are given.									
TOTAL FEDERAL AGENCY OBLIGATIONS			38,646,521.04		25,277.78	38,094,557.67	38,094,557.67	0.00	38,119,835.45
CORPORATE BONDS									
ANTHEM INSURANCE COMPANY INC	9.000	04/01/27	29,000,000.00	144.59400	522,000.00	41,932,260.00	30,205,851.67	11,726,408.33	42,454,260.00
CBO HOLDINGS III LTD.	7.000	02/10/38	98,158.95	104.31561	-	102,395.11	102,395.11	0.00	102,395.11
CBO HOLDINGS SPIRIT 2004-3A	6.500	06/01/19	1,066,483.42	99.03052	-	1,056,144.04	1,056,144.04	0.00	1,056,144.04
CONTINENTAL AIRLINES INC	8.048	11/01/20	105,737.81	97.53452	-	103,130.87	103,130.87	0.00	103,130.87
CONTINENTAL AIRLINES INC	6.703	06/15/21	305,884.20	94.12129	-	287,902.17	287,902.17	0.00	287,902.17
CONTINENTAL AIRLINES INC	7.256	03/15/20	220,035.32	95.12709	-	209,313.20	209,313.20	0.00	209,313.20
DELTA FUNDING HOME EQUITY LOAN TRUST	7.600	01/15/30	2,831,062.49	99.06962	-	2,804,722.93	2,804,722.93	0.00	2,804,722.93
EASTMAN HILL FUNDING LTD	1.905	09/29/31	4,000,000.00	62.00000	-	2,480,000.00	2,232,814.64	247,185.36	2,480,000.00
FNMA 5.00 (Reclassified)	0.000	01/00/00	-	0.00000	-	-	6,500,000.00	0.00	6,500,000.00
FREDDIE MAC 5.00 (Reclassified)	0.000	01/00/00	-	0.00000	-	-	3,143,577.52	0.00	3,143,577.52
FORD MOTOR COMPANY	9.500	09/15/11	2,430,000.00	98.25000	20,029.17	2,387,475.00	2,429,356.61	(41,881.61)	2,407,504.17
FORD MOTOR CREDIT	7.250	10/25/11	8,500,000.00	92.34471	290,302.09	7,849,300.00	8,664,819.26	(815,519.26)	8,139,602.09
GALILEO SECURITIES INC.	1.450	02/03/11	1,667,333.90	87.77113	-	1,463,437.84	1,463,437.84	0.00	1,463,437.84
GMAC	8.000	11/01/31	12,000,000.00	99.07175	423,733.33	11,888,610.00	11,999,369.69	(110,759.69)	12,312,343.33
GMAC	7.250	03/02/11	10,000,000.00	92.52400	153,055.55	9,252,400.00	10,321,548.34	(1,069,148.34)	9,405,455.55
GMAC	6.875	08/28/12	2,000,000.00	86.37000	17,951.39	1,727,400.00	2,055,099.14	(327,699.14)	1,745,351.39
GREEN TREE FINANCIAL	7.020	10/15/27	1,900,000.00	61.75000	8,892.00	1,173,250.00	1,290,309.09	(117,059.09)	1,182,142.00
GREEN TREE FINANCIAL	7.540	06/15/28	2,500,000.00	64.50000	12,566.67	1,612,500.00	1,692,538.13	(80,038.13)	1,625,066.67
HUTCHISON WHAMPOA INTL LTD	7.450	11/24/33	4,550,000.00	105.66900	12,240.76	4,807,939.50	4,413,343.20	394,596.30	4,820,180.26
LIBERTY MUTUAL INSURANCE	7.875	10/15/26	5,000,000.00	109.25000	141,093.75	5,462,500.00	4,733,543.88	728,956.12	5,603,593.75
MID OCEAN 2001-1A A1	6.556	11/05/36	1,585,349.00	99.72559	-	1,580,998.65	1,580,998.65	0.00	1,580,998.65
MMCAPS FUNDING I LTD/INC	8.030	06/15/31	66,114.37	87.74637	-	58,012.96	58,012.96	0.00	58,012.96
NORTHWEST AIR LINES INC	7.935	04/01/19	111,623.16	92.53796	-	103,293.79	103,293.79	0.00	103,293.79
NORTHWEST AIR LINES INC	7.041	04/01/22	525,670.68	98.75539	-	519,128.15	519,128.15	0.00	519,128.15
NORTHWEST AIRLINES 1999-2A	7.575	03/01/19	452,241.83	96.04485	-	434,354.97	434,354.97	0.00	434,354.97
OAKWOOD MORTGAGE 1999-B AC	6.190	12/15/13	3,970,936.44	86.46169	9,430.21	3,433,338.75	3,654,495.89	(221,157.14)	3,442,768.96
OAKWOOD MORTGAGE INVESTORS INC	5.190	09/15/19	11,920,357.33	88.90818	22,397.07	10,598,172.69	11,602,148.63	(1,003,975.94)	10,620,569.76
ORIGEN 2002-A M2	8.850	05/15/32	2,000,000.00	84.00000	9,341.67	1,680,000.00	1,902,196.07	(222,196.07)	1,689,341.67
REG DIVERSIFIED FUNDING SR NOTES	9.250	03/15/30	132,446.20	86.52023	-	114,592.76	114,592.76	0.00	114,592.76
SAFECO CAPITAL TRUST	8.072	07/15/37	11,825,000.00	118.87800	74,239.98	14,057,323.50	11,893,064.24	2,164,259.26	14,131,563.48
SECURITY NATIONAL MORTGAGE LOAN	7.870	08/25/30	3,920,311.71	100.00000	-	3,920,311.71	3,920,311.71	0.00	3,920,311.71
SIGNATURE 6 LIMITED	7.276	09/27/16	3,200,000.00	92.00000	11,641.60	2,944,000.00	2,908,687.09	35,312.91	2,955,641.60
TYCO INTERNATIONAL GROUP	6.875	01/15/29	6,000,000.00	117.50000	182,187.50	7,050,000.00	5,459,064.97	1,590,935.03	7,232,187.50

SALES AND REDEMPTION OF INVESTMENTS
BONDS SOLD

JULY 1, 2004 THROUGH JUNE 30, 2005

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Security	Coupon	Maturity	Par Value	Sale Price	Accrued Interest	Principal	Amortized Cost	Gain or (Loss)	Amount Due
UNION CARBIDE CORP	7.500	06/01/25	5,775,000.00	95.00000	144,375.00	5,486,250.00	5,463,206.74	23,043.26	5,630,625.00
UNION CARBIDE CORP	7.875	04/01/23	1,000,000.00	98.00000	-	980,000.00	970,315.59	9,684.41	980,000.00
TOTAL CORPORATE BONDS			140,659,746.81		2,055,477.74	149,560,458.59	146,293,089.54	12,910,946.57	161,259,513.85
TOTAL BONDS SOLD			206,306,267.85		2,080,755.52	214,655,016.26	211,362,623.29	12,935,970.49	226,379,349.30

SALES AND REDEMPTION OF INVESTMENTS
COMMON STOCK SOLD

JULY 1, 2004 THROUGH JUNE 30, 2005

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Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
ABERCROMBIE & FITCH	75,000	47.5870	3,569,028.00	3,833.53	3,565,194.47	2,367,550.86	1,197,643.61	50.59%
ABM INDUSTRIES INC	83,900	19.3513	1,623,577.88	4,233.00	1,619,344.88	1,552,401.14	66,943.74	4.31%
ACCREDO HEALTH	71,300	22.6501	1,614,954.20	3,602.80	1,611,351.40	1,321,184.14	290,167.26	21.96%
ADOBE SYSTEMS	200,000	48.6848	9,736,960.00	10,227.86	9,726,732.14	7,967,857.71	1,758,874.43	22.07%
ADVANCED ENERGY INDUSTRIES	58,600	8.8032	515,867.52	1,770.08	514,097.44	1,303,850.00	(789,752.56)	-60.57%
ALLTEL CORPORATION	150,000	56.4682	8,470,223.07	7,778.68	8,462,444.39	8,805,927.15	(343,482.76)	-3.90%
ALPHARMA INC 'A'	76,000	15.8828	1,207,094.63	3,068.26	1,204,026.37	1,388,892.85	(184,866.48)	-13.31%
AMERICAN EXPRESS	100,000	56.3531	5,635,310.00	5,131.87	5,630,178.13	3,512,213.49	2,117,964.64	60.30%
AMERICAN INT'L GROUP	125,000	56.9419	7,117,737.50	6,484.18	7,111,253.32	4,124,435.01	2,986,818.31	72.42%
AMGEN	150,000	58.6390	8,795,850.00	7,820.81	8,788,029.19	5,782,045.34	3,005,983.85	51.99%
ANALOG DEVICES, INC.	574,700	37.3720	21,477,716.18	29,283.48	21,448,432.70	41,929,813.38	(20,481,380.68)	-48.85%
ANHEUSER BUSCH COMPANY	150,000	47.2837	7,092,551.71	7,796.49	7,084,755.22	7,795,264.16	(710,508.94)	-9.11%
APACHE CORPORATION	620,000	51.5496	31,960,725.33	31,908.87	31,928,816.46	14,283,470.60	17,645,345.86	123.54%
APOLLO GROUP, INC.	75,000	73.6340	5,522,550.00	3,879.23	5,518,670.77	4,961,325.70	557,345.07	11.23%
ARGOSY GAMING CO	49,300	39.8648	1,965,334.64	2,510.99	1,962,823.65	1,358,064.15	604,759.50	44.53%
ATMI INC	63400	18.7593	1,189,338.20	3,197.85	1,186,140.35	1,352,226.90	(166,086.55)	-12.28%
AVAYA INC	250,000	8.3115	2,077,875.00	12,586.86	2,065,288.14	3,621,750.00	(1,556,461.86)	-42.98%
BENCHMARK ELECTRONICS	35,200	31.7744	1,118,460.23	1,806.76	1,116,653.47	1,351,187.20	(234,533.73)	-17.36%
BLACK BOX CORPORATION	30,500	42.5419	1,297,529.00	1,555.37	1,295,973.63	1,350,469.95	(54,496.32)	-4.04%
BOSTON SCIENTIFIC CORPORATION	600,000	33.3215	19,992,900.00	30,467.84	19,962,432.16	12,821,876.47	7,140,555.69	55.69%
BROOKS AUTOMATION INC	72,800	14.8500	1,081,080.00	3,685.19	1,077,394.81	1,270,199.84	(192,805.03)	-15.18%
CANADIAN NATIONAL RAILWAY	225,000	59.0159	13,278,566.74	11,616.10	13,266,950.64	7,078,563.39	6,188,387.25	87.42%
CARDINAL HEALTH INC.	350,000	45.0546	15,769,125.00	17,869.01	15,751,255.99	20,568,530.88	(4,817,274.89)	-23.42%
CARPENTER TECHNOLOGY	66,500	46.4846	3,091,229.16	3,397.35	3,087,831.81	2,622,751.19	465,080.62	17.73%
CATERPILLAR INC	94,500	95.9578	9,068,012.10	5,023.34	9,062,988.76	7,916,368.54	1,146,620.22	14.48%
C-COR.net	120,200	7.4112	890,822.30	6,030.86	884,791.44	1,333,917.10	(449,125.66)	-33.67%
CEC ENTERTAINMENT	42,500	35.3394	1,501,924.50	2,160.15	1,499,764.35	1,308,970.25	190,794.10	0.00%
CHELSEA PROPERTY GROUP	200,000	66.6296	13,325,922.69	9,846.84	13,316,075.85	6,674,250.14	6,641,825.71	99.51%
CHOICEPOINT INCORPORATED	533,333	39.2763	20,947,334.86	27,355.84	20,919,979.02	20,853,162.66	66,816.36	0.32%
CISCO SYSTEMS	300,000	19.7500	5,925,000.00	15,138.66	5,909,861.34	2,769,702.18	3,140,159.16	113.38%
COGNEX CORP	46,000	24.9123	1,145,965.60	1,866.82	1,144,098.78	1,307,838.68	(163,739.90)	-12.52%
COLONIAL PROPERTY TRUST	35,600	39.1481	1,393,672.36	1,812.62	1,391,859.74	1,286,655.52	105,204.22	8.18%
COMCAST CORP-SPECIAL CL A	1,073,200	28.8774	30,991,260.80	54,430.78	30,936,830.02	34,166,916.92	(3,230,086.90)	-9.45%
COMMERCIAL METALS	47,000	37.4225	1,758,858.46	2,407.88	1,756,450.58	1,266,483.74	489,966.84	38.69%
COMMONWEALTH TELEPHONE ENTERPRISES	34,200	44.5633	1,524,066.14	1,745.68	1,522,320.46	1,350,900.00	171,420.46	12.69%
COMPUTER ASSOCIATES INTL. INC	1,747	27.7600	48,496.72	1.60	48,495.12	-	48,495.12	0.00%
CONSTELLATION BRANDS	238,100	34.1699	8,135,854.88	12,245.09	8,123,609.79	4,634,856.28	3,488,753.51	75.27%
CORINTHIAN COLLEGES, INC	1,365,200	13.4269	18,330,453.71	62,384.99	18,268,068.72	32,356,481.10	(14,088,412.38)	-43.54%
CORN PRODUCTS INTL INC	43,900	22.4128	983,920.60	2,236.13	981,684.47	1,307,159.98	(325,475.51)	-24.90%
CUNO INC	24,800	53.2430	1,320,426.40	1,270.90	1,319,155.50	816,840.00	502,315.50	61.49%
D. R. HORTON	425,000	28.6813	12,189,540.81	21,535.26	12,168,005.55	10,655,021.39	1,512,984.16	14.20%
D. R. HORTON (Stock Split)	0	-	-	-	-	-	0.01	100.00%
DIAMOND OFFSHORE DRILLING	450,000	34.0906	15,340,770.31	22,859.01	15,317,911.30	10,449,955.63	4,867,955.67	46.58%
DOMINION RESOURCES INC	200,000	70.7067	14,141,336.22	10,591.14	14,130,745.08	15,080,000.00	(949,254.92)	-6.29%
DSP GROUP	49,500	19.1938	950,093.10	2,497.24	947,595.86	1,344,016.15	(396,420.29)	-29.50%
E.I. du PONT de NEMOURS AND CO	201,600	49.3720	9,953,404.70	10,478.39	9,942,926.31	7,944,406.16	1,998,520.15	25.16%
EASTMAN KODAK COMPANY	271,000	32.4614	8,797,042.58	13,839.46	8,783,203.12	7,979,852.16	803,350.96	10.07%

SALES AND REDEMPTION OF INVESTMENTS
COMMON STOCK SOLD

JULY 1, 2004 THROUGH JUNE 30, 2005

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Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
EDO CORPORATION	54,700	27.8105	1,521,232.25	2,785.07	1,518,447.18	1,308,434.87	210,012.31	16.05%
EGL INC	55,600	24.3595	1,354,388.20	2,824.56	1,351,563.64	1,306,600.00	44,963.64	3.44%
ELECTRONICS BOUTIQUE HOLDINGS CORP.	396,300	38.1629	15,123,948.21	20,312.68	15,103,635.53	14,513,847.40	589,788.13	4.06%
EMC CORP	215,000	10.5831	2,275,366.50	10,803.25	2,264,563.25	2,434,988.05	(170,424.80)	0.00%
ENRON CORP (Class Action Settlement)	0	-	-	-	-	-	4,969.05	100.00%
EXPRESS SCRIPTS	575,000	74.8394	43,032,676.55	30,177.56	43,002,498.99	13,781,603.26	29,220,895.73	212.03%
FAIR ISAAC & CO	300,000	25.3875	7,616,247.02	15,178.23	7,601,068.79	10,717,574.89	(3,116,506.10)	-29.08%
FEI COMPANY	49,300	20.6528	1,018,180.88	2,507.57	1,015,673.31	1,350,266.53	(334,593.22)	-24.78%
FLEXTRONICS INTERNATIONAL	550,000	11.7483	6,461,571.65	20,151.21	6,441,420.44	7,615,748.37	(1,174,327.93)	-15.42%
FLOWERS FOODS	42,000	28.8031	1,209,731.30	2,149.40	1,207,581.90	1,301,681.84	(94,099.94)	-7.23%
FORWARD AIR CORPORATION	42,900	36.7612	1,577,056.74	2,181.92	1,574,874.82	1,306,224.92	268,649.90	20.57%
GAMESTOP CORP 'A'	62,200	25.8277	1,606,481.69	3,177.18	1,603,304.51	1,313,934.88	289,369.63	22.02%
GENERAL MOTORS CORPORATION	202,700	32.1254	6,511,826.52	10,349.25	6,501,477.27	8,026,608.89	(1,525,131.62)	-19.00%
HAEMONETICS CORP.	63,200	40.1836	2,539,604.22	3,243.24	2,536,360.98	2,363,561.36	172,799.62	7.31%
HARMAN INTERNATIONAL INDUSTRIES	17,100	103.3324	1,766,984.20	896.35	1,766,087.85	1,358,543.70	407,544.15	30.00%
HELIX TECHNOLOGY	55,700	14.4667	805,795.19	2,803.86	802,991.33	677,004.73	125,986.60	18.61%
HIBBETT SPORTING GOODS	19,300	18.6118	359,208.20	973.42	358,234.78	502,398.10	(144,163.32)	-28.70%
HILB, ROGAL & HAMILTON	37,700	32.9573	1,242,488.56	1,914.10	1,240,574.46	1,274,260.00	(33,685.54)	-2.64%
HONEYWELL INTERNATIONAL INC	297,400	38.7118	11,512,901.36	15,248.80	11,497,652.56	8,049,744.16	3,447,908.40	42.83%
HYDRIL	46,900	40.9577	1,920,915.00	2,389.96	1,918,525.04	1,311,492.31	607,032.73	46.29%
IAC / INTERACTIVECORP	595,000	23.0817	13,733,615.35	30,105.04	13,703,510.31	21,072,661.10	(7,369,150.79)	-34.97%
INTEGRA LIFESCIENCES HOLDINGS	50,500	31.6946	1,600,579.53	2,591.92	1,597,987.61	1,462,228.34	135,759.27	9.28%
INTEL CORPORATION	425,000	21.6406	9,197,238.56	21,465.23	9,175,773.33	12,588,237.80	(3,412,464.47)	-27.11%
INTERNATIONAL PAPER COMPANY	208,800	36.5813	7,638,173.60	10,691.31	7,627,482.29	7,983,973.20	(356,490.91)	-4.47%
INTRADO INC	61,100	10.1550	620,470.50	3,069.52	617,400.98	1,345,252.44	(727,851.46)	-54.11%
JABIL CIRCUIT	200,000	19.8281	3,965,616.80	10,092.81	3,955,523.99	4,081,278.77	(125,754.78)	-3.08%
KAYDON CORP	200,000	27.0386	5,407,720.00	10,226.05	5,397,493.95	5,392,010.42	5,483.53	0.10%
KEITHLEY INSTRUMENTS	36,300	14.0515	510,071.19	1,836.34	508,234.85	646,790.96	(138,556.11)	-21.42%
KINDER MORGAN, INC.	200,000	64.5590	12,911,800.03	10,302.16	12,901,497.87	10,816,845.00	2,084,652.87	19.27%
KULICKE & SOFFA INDUSTRIES	85,200	5.2916	450,844.32	4,270.55	446,573.77	1,327,416.00	(880,842.23)	-66.36%
LENNAR CORP Class A	350,000	43.6435	15,275,207.50	17,857.45	15,257,350.05	9,505,730.28	5,751,619.77	60.51%
MERCK & CO.	169,000	31.9965	5,407,408.50	8,627.91	5,398,780.59	8,021,061.10	(2,622,280.51)	-32.69%
METLIFE INC.	150,000	34.5161	5,177,409.48	7,621.16	5,169,788.32	4,296,240.00	873,548.32	20.33%
MOODY'S CORPORATION	400,000	83.9882	33,595,274.35	21,105.35	33,574,169.00	14,382,784.57	19,191,384.43	133.43%
MYLAN LABORATORIES	225,000	16.1512	3,634,012.50	11,358.94	3,622,653.56	5,032,461.20	(1,409,807.64)	-28.01%
NAUTILUS GROUP INC	70,400	21.7231	1,529,306.24	3,555.79	1,525,750.45	1,324,364.67	201,385.78	15.21%
NBTY INC	150,000	21.1170	3,167,543.84	7,574.13	3,159,969.71	4,007,389.40	(847,419.69)	-21.15%
NEXTEL PARTNERS 'A'	150,000	25.6329	3,844,937.10	7,660.73	3,837,276.37	2,565,321.25	1,271,955.12	49.58%
NOBLE CORPORATION	125,000	38.2864	4,785,800.00	6,361.99	4,779,438.01	5,608,822.78	(829,384.77)	-14.79%
P.F. CHANG'S CHINA BISTRO	200,000	56.1182	11,223,642.79	10,316.26	11,213,326.53	5,289,685.01	5,923,641.52	111.98%
PACTIV CORPORATION	200,000	21.6533	4,330,662.90	10,181.04	4,320,481.86	3,200,380.00	1,120,101.86	35.00%
PANERA BREAD 'A'	31,900	54.8061	1,748,313.48	1,652.53	1,746,660.95	1,362,607.80	384,053.15	28.19%
PAXAR CORP	93,600	17.7632	1,662,637.40	4,749.51	1,657,887.89	1,301,040.00	356,847.89	27.43%
PFIZER INC.	350,000	27.0943	9,483,000.00	17,721.91	9,465,278.09	10,838,231.60	(1,372,953.51)	-12.67%
PHOTON DYNAMICS	59,200	21.5041	1,273,040.64	2,989.80	1,270,050.84	1,906,388.94	(636,338.10)	-33.38%
PLANTRONICS, INC.	200,000	41.3557	8,271,149.15	10,193.57	8,260,955.58	5,493,601.31	2,767,354.27	50.37%
PRAIRIE INC	100,000	41.6028	4,160,276.70	5,136.89	4,155,139.81	3,528,245.41	626,894.40	17.77%

SALES AND REDEMPTION OF INVESTMENTS
COMMON STOCK SOLD

JULY 1, 2004 THROUGH JUNE 30, 2005

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Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
QUKSILVER, INC	200,000	22.2678	4,453,550.16	10,104.22	4,443,445.94	3,402,044.16	1,041,401.78	30.61%
RARE HOSPITALITY INTERNATIONAL	53,200	27.1148	1,442,510.00	2,693.76	1,439,816.24	1,350,819.99	88,996.25	6.59%
REGIS CORPORATION	150,000	41.7344	6,260,158.45	7,646.50	6,252,511.95	4,788,579.49	1,463,932.46	30.57%
RELIANCE STEEL & ALUMINUM	86,700	37.5800	3,258,186.00	4,411.25	3,253,774.75	1,346,780.91	1,906,993.84	141.60%
RENAL CARE GROUP	41,700	32.6578	1,361,830.26	2,116.87	1,359,713.39	1,304,236.70	55,476.69	4.25%
RYAN'S RESTAURANT GROUP INC	88,000	13.8727	1,220,795.60	4,428.58	1,216,367.02	1,379,725.87	(163,358.85)	-11.84%
SANMINA CORP.	1,100,000	5.4128	5,954,057.66	29,210.05	5,924,847.61	28,780,160.85	(22,855,313.24)	-79.41%
SBC COMMUNICATIONS INC.	352,900	23.5222	8,300,996.87	17,944.15	8,283,052.72	7,911,965.75	371,086.97	4.69%
SCHOLASTIC CORPORATION	300,000	29.0771	8,723,134.61	15,204.16	8,707,930.45	7,701,037.99	1,006,892.46	13.07%
SCP POOL CORPORATION	350,000	32.0531	11,218,586.31	17,918.69	11,200,667.62	4,161,262.94	7,039,404.68	169.17%
SMITH, A O CORP	27,900	23.2701	649,235.79	1,410.20	647,825.59	817,756.00	(169,930.41)	-20.78%
SMURFIT-STONE CONTAINER CORP	250,000	13.9167	3,479,163.75	10,624.33	3,468,539.42	3,742,090.24	(273,550.82)	-7.31%
STEEL DYNAMICS	112,400	30.5554	3,434,422.56	5,700.38	3,428,722.18	1,365,470.56	2,063,251.62	151.10%
STEWART & STEVENSON SERVICES	57200	15.5927	891,904.93	2,880.88	889,024.05	965,788.44	(76,764.39)	-7.95%
SYMANTEC CORPORATION	1,595,500	32.5322	51,905,067.35	81,210.40	51,823,856.95	13,622,040.61	38,201,816.34	280.44%
T. ROWE PRICE GROUP INC	100,000	61.3117	6,131,169.10	5,256.31	6,125,912.79	3,893,398.59	2,232,514.20	57.34%
TETRA TECH, INC	73,200	12.8674	941,893.60	3,682.05	938,211.55	1,305,741.60	(367,530.05)	-28.15%
TEXAS INSTRUMENTS	400,000	21.1312	8,452,460.00	20,197.80	8,432,262.20	9,829,631.85	(1,397,369.65)	-14.22%
THE CHILDREN'S PLACE	55,000	21.6544	1,190,992.00	2,777.87	1,188,214.13	1,311,601.16	(123,387.03)	-9.41%
TRACTOR SUPPLY CO.	31,400	38.7792	1,217,666.88	1,598.50	1,216,068.38	1,304,574.48	(88,506.10)	-6.78%
TYCO INTERNATIONAL LTD.	275,000	32.5111	8,940,541.33	14,035.94	8,926,505.39	9,127,213.24	(200,707.85)	-2.20%
TYSON FOODS, INC.	250,000	21.0022	5,250,549.62	12,622.88	5,237,926.74	2,929,428.79	2,308,497.95	78.80%
UNITEDHEALTH GROUP INC	271,172	78.7570	21,356,700.49	14,058.36	21,342,642.13	13,819,014.05	7,523,628.08	54.44%
UNITEDHEALTH GROUP INC (Merger)	0	-	-	-	-	-	6,468,000.00	100.00%
VIACOM INC.	500,000	34.4516	17,225,776.61	25,403.11	17,200,373.50	22,208,115.00	(5,007,741.50)	-22.55%
VISHAY INTERTECHNOLOGY INC	475,000	13.4336	6,380,959.28	22,190.12	6,358,769.16	12,518,590.71	(6,159,821.55)	-49.21%
VODAFONE GROUP	200,000	26.0125	5,202,498.88	10,171.17	5,192,327.71	4,302,959.91	889,367.80	20.67%
VORNADO REALTY TRUST	300,000	62.2263	18,667,877.21	15,436.90	18,652,440.31	12,775,524.45	5,876,915.86	46.00%
WAL-MART STORES	100,000	46.9337	4,693,372.00	5,192.45	4,688,179.55	5,368,768.36	(680,588.81)	-12.68%
WILLIAMS COMPANIES, INC.	350,000	13.0596	4,570,875.00	14,106.97	4,556,768.03	8,722,745.99	(4,165,977.96)	-47.76%
WINTRUST FINANCIAL	30,400	52.1510	1,585,390.40	1,557.10	1,583,833.30	1,453,814.24	130,019.06	8.94%
YELLOW ROADWAY CORPORATION	52,300	48.3029	2,526,241.67	2,720.60	2,523,521.07	1,347,750.08	1,175,770.99	87.24%
ZALE CORP	49,400	26.3670	1,302,529.80	2,500.48	1,300,029.32	1,307,865.00	(7,835.68)	-0.60%
TOTAL COMMON STOCK SOLD	26,496,952		866,119,214.69	1,299,667.67	864,819,547.02	764,357,671.69	106,934,844.39	13.14%

SALES AND REDEMPTION OF INVESTMENTS
OTHER INVESTMENTS SOLD

JULY 1, 2004 THROUGH JUNE 30, 2005

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Name	Coupon	Maturity	Book Cost	Capital Gains (Loss)
<i>APEX CAPITAL FUND 1</i>				
ARROYO VERDE	11.000		311,769.30	66,504.06
BELL WEST	11.000		206,230.22	270,082.90
CAMPO VERDE	11.000		173,572.94	-
CIBOLA VISTA (ENGLE)	11.000		13,649.54	-
COPPER CREEK	11.000		89,804.35	-
CORTESSA	11.000		174.52	-
DOBBINS POINT	11.000		253,200.54	209,812.55
ESTRELLA MOUNTAIN RANCH	11.000		-	72,656.60
HIGHLAND GROVES	11.000		15,070.82	-
MERITAGE - VERRADO	11.000		325,789.63	-
RIO PASEO	11.000		51,180.34	-
SANTAN VISTA	11.000		566,759.19	-
VISTA DORADA	11.000		264,833.17	-
TOTAL APEX CAPITAL FUND 1 SOLD			2,272,034.56	619,056.11
<i>BRIDGE FINANCIAL LOANS</i>				
GRAND INN	12.500	09/25/00	912,168.25	(1,418,298.19)
GRAND INN NOTE	10.000	09/10/05	8,080.00	-
TOTAL BRIDGE FINANCIAL SOLD			920,248.25	(1,418,298.19)
<i>DESERT TROON EQUITY</i>				
BEST IN THE WEST			16,935,680.00	940,512.00
BUZZARD/BURRELL FARMS			2,908,800.00	3,429,428.34
DTR1,LLC-DESERT TROON			25,852,498.66	-
DTR1,LLC-DESERT OASIS			7,110,400.00	-
DTR1,LLC-SEA PORT			17,127,280.36	-
PROSPECT			969,600.00	(4,330,880.00)
TOREEON GC			-	40,400.00
TOTAL DESERT TROON EQUITY SOLD			70,904,259.02	79,460.34
<i>DESERT TROON DEBT</i>				
BUZZARD/BURRELL FARMS			6,908,400.00	-
TOTAL DESERT TROON DEBT SOLD			6,908,400.00	-
<i>DIVERSIFIED FUNDING GROUP</i>				
TIERRA DEL RIO (TDR), LLC	13.000	10/22/05	19,195,480.25	-
TOTAL DIVERSIFIED FUNDING GROUP SOLD			19,195,480.25	-
<i>PIVOTAL EQUITY</i>				
CENTURY PLAZA HOTEL (CPH1,LLC)			8,888,000.00	-
PIVOTAL 650, L.L.C.			9,379,609.67	652,204.67
PIVOTAL PROMONTORY			-	11,750,533.11
TOTAL PIVOTAL EQUITY SOLD			18,267,609.67	12,402,737.78

SALES AND REDEMPTION OF INVESTMENTS
OTHER INVESTMENTS SOLD

JULY 1, 2004 THROUGH JUNE 30, 2005

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Name	Coupon	Maturity	Book Cost	Capital Gains (Loss)
<i>PIVOTAL DEBT FUND</i>				
CIMARRON	9.200		8,873,456.00	-
COLORADO	9.200		8,322,400.00	-
PROMONTORY	9.200		15,239,133.45	-
SANDIA	9.200		363,600.00	-
TOTAL PIVOTAL DEBT FUND SOLD			32,798,589.45	-
<i>SBA LOANS</i>				
ASAYO HOLDING, LTD	9.500	07/01/10	332,883.58	41,526.52
EQUITY PARTNERSHIP	9.250	05/01/16	39,129.78	-
NIARKOS	10.000	05/01/14	23,392.58	-
TOTAL SBA SOLD			395,405.94	41,526.52
<i>MISCELLANEOUS</i>				
DESERT TROON FINANCE, LLC	10.000	08/27/05	20,859,798.89	-
PIVOTAL DEBT FUND	10.000	12/01/11	30,236,531.61	-
PIVOTAL SIMON HOTEL	10.000	05/14/03	-	55,913.60
TALLEY PROPERTIES	12.000	12/01/01	-	606,000.00
WHISPERING CANYON	13.000		1,418,381.12	-
TOTAL MISCELLANEOUS SOLD			52,514,711.62	661,913.60
TOTAL OTHER INVESTMENTS SOLD			204,176,738.76	12,386,396.16

INVESTMENTS OWNED BOND PORTFOLIO

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Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM	Duration
31,323.77	GNMA Pool #185639	9.000	11/15/16	30,502.60	97.3784	108.9860	34,138.52	3,635.92	2,819.14	9.24	3.18	4.92
221,804.08	GNMA Pool #187705	9.000	01/15/17	215,119.36	96.9862	109.2360	242,289.90	27,170.54	19,962.37	9.28	3.18	5.00
43,722.30	GNMA Pool #188192	9.000	05/15/17	42,356.01	96.8751	109.2360	47,760.49	5,404.48	3,935.01	9.29	3.18	5.12
111,687.00	GNMA Pool #190921	9.000	12/15/16	108,598.19	97.2344	108.9860	121,723.19	13,125.00	10,051.83	9.26	3.18	4.96
47,257.45	GNMA Pool #191648	9.000	05/15/17	44,904.21	95.0204	109.2360	51,622.15	6,717.94	4,253.17	9.47	3.18	5.22
127,674.15	GNMA Pool #191943	9.000	07/15/18	121,011.31	94.7814	109.4540	139,744.46	18,733.15	11,490.67	9.50	3.18	5.63
96,011.95	GNMA Pool #194468	9.000	12/15/16	93,011.59	96.8750	108.9860	104,639.58	11,627.99	8,641.08	9.29	3.18	4.98
15,273.20	GNMA Pool #198466	9.000	02/15/17	14,900.89	97.5623	109.2360	16,683.83	1,782.94	1,374.59	9.22	3.18	5.00
12,720.30	GNMA Pool #204136	9.000	05/15/17	12,485.78	98.1563	109.2360	13,895.15	1,409.37	1,144.83	9.17	3.18	5.05
50,438.81	GNMA Pool #206683	9.000	04/15/20	48,169.09	95.5001	109.8580	55,411.07	7,241.98	4,539.49	9.42	3.18	6.14
46,942.28	GNMA Pool #208638	9.000	05/15/17	44,507.20	94.8126	109.2360	51,277.87	6,770.67	4,224.81	9.49	3.18	5.23
54,808.76	GNMA Pool #210798	9.000	07/15/18	50,509.72	92.1563	109.4540	59,990.38	9,480.66	4,932.79	9.77	3.18	5.79
65,394.76	GNMA Pool #216520	9.000	05/15/17	62,212.11	95.1332	109.2360	71,434.62	9,222.51	5,885.53	9.46	3.18	5.21
39,569.60	GNMA Pool #221494	9.000	07/15/17	36,725.57	92.8126	109.2360	43,224.25	6,498.68	3,561.26	9.70	3.18	5.40
85,260.86	GNMA Pool #221509	9.000	12/15/16	82,767.06	97.0751	108.9860	92,922.40	10,155.34	7,673.48	9.27	3.18	4.97
66,530.70	GNMA Pool #223282	9.000	05/15/18	63,615.29	95.6180	109.4540	72,820.51	9,205.22	5,987.76	9.41	3.18	5.52
63,961.12	GNMA Pool #223307	9.000	04/15/18	61,182.84	95.6563	109.4540	70,008.00	8,825.16	5,756.50	9.41	3.18	5.49
19,007.68	GNMA Pool #228184	9.000	05/15/18	17,914.77	94.2502	109.4540	20,804.67	2,889.90	1,710.69	9.55	3.18	5.60
38,901.46	GNMA Pool #228233	9.000	05/15/18	35,218.02	90.5314	109.4540	42,579.20	7,361.18	3,501.13	9.94	3.18	5.83
52,671.50	GNMA Pool #229731	9.000	07/15/17	48,886.18	92.8133	109.2360	57,536.24	8,650.06	4,740.44	9.70	3.18	5.40
23,653.97	GNMA Pool #232531	9.000	10/15/17	23,121.76	97.7500	109.2360	25,838.65	2,716.89	2,128.86	9.21	3.18	5.21
105,121.42	GNMA Pool #234450	9.000	04/15/18	101,080.84	96.1563	109.4540	115,059.60	13,978.76	9,460.93	9.36	3.18	5.46
80,070.22	GNMA Pool #236041	10.000	11/15/17	79,169.44	98.8750	112.7260	90,259.96	11,090.52	8,007.02	10.11	8.87	5.06
27,491.49	GNMA Pool #236835	10.000	11/15/17	27,381.29	99.5992	112.7260	30,990.06	3,608.77	2,749.15	10.04	8.87	5.02
40,941.91	GNMA Pool #236937	9.000	04/15/18	39,061.18	95.4064	109.4540	44,812.56	5,751.38	3,684.77	9.43	3.18	5.51
10,549.31	GNMA Pool #236939	9.000	04/15/18	9,942.73	94.2501	109.4540	11,546.64	1,603.91	949.44	9.55	3.18	5.57
125,435.75	GNMA Pool #237138	10.000	10/15/17	124,708.14	99.4199	112.7260	141,398.70	16,690.56	12,543.58	10.06	8.87	5.01
20,340.72	GNMA Pool #237195	9.000	06/15/18	16,799.45	82.5902	109.4540	22,263.73	5,464.28	1,830.66	10.90	3.18	6.43
5,692.57	GNMA Pool #238133	9.000	04/15/18	5,463.50	95.9760	109.4540	6,230.75	767.25	512.33	9.38	3.18	5.47
19,040.91	GNMA Pool #247506	9.000	01/15/20	18,547.01	97.4061	109.8580	20,917.96	2,370.95	1,713.68	9.24	3.18	5.94
153,507.42	GNMA Pool #249621	9.000	05/15/18	142,426.24	92.7813	109.4540	168,020.01	25,593.77	13,815.67	9.70	3.18	5.69
96,301.81	GNMA Pool #252052	9.000	06/15/18	91,035.38	94.5313	109.4540	105,406.18	14,370.80	8,667.16	9.52	3.18	5.61
144,158.89	GNMA Pool #252055	9.000	06/15/18	132,851.46	92.1563	109.4540	157,787.67	24,936.21	12,974.30	9.77	3.18	5.76
21,047.38	GNMA Pool #257869	9.000	09/15/19	20,380.82	96.8331	109.6600	23,080.56	2,699.74	1,894.26	9.29	3.18	5.88
84,044.89	GNMA Pool #266545	9.000	01/15/19	77,977.92	92.7813	109.6600	92,163.63	14,185.71	7,564.04	9.70	3.18	5.91
124,733.31	GNMA Pool #271090	9.000	10/15/19	122,082.73	97.8750	109.6600	136,782.55	14,699.82	11,226.00	9.20	3.18	5.84
26,217.99	GNMA Pool #271897	9.000	09/15/19	29,057.17	110.8291	109.6600	28,750.65	(306.52)	2,359.62	8.12	3.18	5.13
28,210.30	GNMA Pool #273548	9.000	09/15/19	27,302.30	96.7813	109.6600	30,935.42	3,633.12	2,538.93	9.30	3.18	5.88
118,961.36	GNMA Pool #274140	9.000	09/15/19	115,169.46	96.8125	109.6600	130,453.03	15,283.57	10,706.52	9.30	3.18	5.88
52,971.21	GNMA Pool #277907	9.000	11/15/19	52,573.94	99.2500	109.6600	58,088.23	5,514.29	4,767.41	9.07	3.18	5.78
22,265.35	GNMA Pool #284420	9.000	02/15/20	21,374.76	96.0001	109.8580	24,460.27	3,085.51	2,003.88	9.38	3.18	6.05
40,722.74	GNMA Pool #285101	9.000	04/15/20	38,584.82	94.7501	109.8580	44,737.19	6,152.37	3,665.05	9.50	3.18	6.19
17,942.62	GNMA Pool #285593	9.000	02/15/20	17,363.48	96.7723	109.8580	19,711.40	2,347.92	1,614.84	9.30	3.18	6.01
145,214.44	GNMA Pool #286371	9.000	02/15/20	138,900.46	95.6520	109.8580	159,529.68	20,629.22	13,069.30	9.41	3.18	6.08
137,923.11	GNMA Pool #286427	9.000	04/15/20	131,716.62	95.5000	109.8580	151,519.57	19,802.95	12,413.08	9.42	3.18	6.14

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Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM	Duration
624,435.54	GNMA Pool #493996	7.000	07/15/29	597,957.19	95.7596	105.9600	661,651.90	63,694.71	43,710.49	7.31	3.68	9.25
662,678.95	GNMA Pool #499876	7.000	06/15/29	659,160.06	99.4690	105.9600	702,174.62	43,014.56	46,387.53	7.04	3.68	8.89
480,350.37	GNMA Pool #500931	7.000	06/15/29	477,801.81	99.4694	105.9600	508,979.25	31,177.44	33,624.53	7.04	3.68	8.89
3,396,455.77	GNMA Pool #503019	6.000	03/15/29	3,145,474.65	92.6105	103.3470	3,510,135.14	364,660.49	203,787.35	6.48	4.65	9.93
26,061.62	GNMA Pool #504418	7.000	06/15/29	25,923.15	99.4687	105.9600	27,614.89	1,691.74	1,824.31	7.04	3.68	8.89
2,265,724.09	GNMA Pool #505728	7.000	06/15/29	2,253,692.67	99.4690	105.9600	2,400,761.25	147,068.58	158,600.69	7.04	3.68	8.89
272,541.57	GNMA Pool #506075	7.000	11/15/29	261,427.01	95.9219	105.9600	288,785.05	27,358.04	19,077.91	7.30	3.68	9.32
305,422.79	GNMA Pool #509328	7.000	06/15/29	296,073.42	96.9389	105.9600	323,625.99	27,552.57	21,379.60	7.22	3.68	9.12
142,222.44	GNMA Pool #510100	7.000	07/15/29	139,646.86	98.1891	105.9600	150,698.90	11,052.04	9,955.57	7.13	3.68	9.02
141,346.55	GNMA Pool #510302	7.000	08/15/29	135,584.98	95.9238	105.9600	149,770.80	14,185.82	9,894.26	7.30	3.68	9.26
416,830.63	GNMA Pool #510958	7.000	05/15/29	413,832.51	99.2807	105.9600	441,673.74	27,841.23	29,178.14	7.05	3.68	8.88
163,751.29	GNMA Pool #510983	7.000	06/15/29	157,077.05	95.9242	105.9600	173,510.87	16,433.82	11,462.59	7.30	3.68	9.21
215,303.42	GNMA Pool #512888	7.000	07/15/29	208,714.16	96.9396	105.9600	228,135.50	19,421.34	15,071.24	7.22	3.68	9.14
435,580.92	GNMA Pool #512915	7.000	07/15/29	422,251.23	96.9398	105.9600	461,541.54	39,290.31	30,490.66	7.22	3.68	9.14
123,311.41	GNMA Pool #513367	7.000	08/15/29	118,072.59	95.7516	105.9600	130,660.77	12,588.18	8,631.80	7.31	3.68	9.27
100,902.72	GNMA Pool #520045	6.500	06/15/31	100,453.45	99.5548	104.5620	105,505.90	5,052.45	6,558.68	6.53	3.92	9.59
1,237,502.55	GNMA Pool #530203	6.500	04/15/31	1,234,408.99	99.7500	104.5620	1,293,957.42	59,548.43	80,437.67	6.52	3.92	9.54
1,733,174.33	GNMA Pool #530611	6.500	05/15/31	1,731,684.90	99.9141	104.5620	1,812,241.74	80,556.84	112,656.33	6.51	3.92	9.54
720,363.87	GNMA Pool #530631	6.500	06/15/31	717,156.10	99.5547	104.5620	753,226.87	36,070.77	46,823.65	6.53	3.92	9.59
884,578.00	GNMA Pool #541464	6.500	06/15/31	880,639.27	99.5547	104.5620	924,932.45	44,293.18	57,497.57	6.53	3.92	9.59
844,079.59	GNMA Pool #549889	6.500	05/15/31	840,914.30	99.6250	104.5620	882,586.50	41,672.20	54,865.17	6.52	3.92	9.57
805,086.80	GNMA Pool #549890	6.500	04/15/31	802,069.11	99.6252	104.5620	841,814.86	39,745.75	52,330.64	6.52	3.92	9.55
278,095.80	GNMA Pool #549915	6.500	05/15/31	277,052.93	99.6250	104.5620	290,782.53	13,729.60	18,076.23	6.52	3.92	9.57
4,665,032.35	GNMA Pool #552518	6.500	04/15/32	4,648,996.54	99.6563	104.5500	4,877,291.32	228,294.78	303,227.10	6.52	3.92	9.79
871,384.80	GNMA Pool #557424	6.500	05/15/31	867,506.02	99.5549	104.5620	911,137.37	43,631.35	56,640.01	6.53	3.92	9.57
708,759.22	GNMA Pool #557467	6.500	05/15/31	705,606.56	99.5552	104.5620	741,092.82	35,486.26	46,069.35	6.53	3.92	9.57
829,420.59	GNMA Pool #560189	6.500	04/15/31	827,347.04	99.7500	104.5620	867,258.76	39,911.72	53,912.34	6.52	3.92	9.54
2,240,314.31	GNMA Pool #780076	8.000	02/15/25	2,201,666.27	98.2749	108.2110	2,424,266.52	222,600.25	179,225.14	8.14	3.90	7.53
2,352,503.58	GNMA Pool #780220	7.500	08/15/25	2,351,745.91	99.9678	107.6580	2,532,658.30	180,912.39	176,437.77	7.50	3.77	7.68
446,783.07	GNMA Pool #781129	7.000	11/15/28	439,251.14	98.3142	106.0470	473,800.04	34,548.90	31,274.81	7.12	3.68	8.84
171,152,499.38	TOTAL FEDERAL AGENCY OBLIGATIONS			168,831,698.22			173,471,442.49	4,639,744.27	9,623,274.18	5.70	4.65	9.49
CORPORATE BONDS												
7,800,000.00	AMERICAN AIRLINES	7.858	10/01/11	7,794,097.75	99.9243	105.6220	8,238,516.00	444,418.25	612,924.00	7.86	6.77	5.22
3,480,000.00	AT&T BROADBAND CORP	9.455	11/15/22	3,539,970.49	101.7233	141.4630	4,922,912.40	1,382,941.91	329,034.00	9.29	5.68	8.73
5,000,000.00	AXA SA	8.600	12/15/30	5,369,494.86	107.3899	136.1780	6,808,900.00	1,439,405.14	430,000.00	8.01	5.85	9.97
10,000,000.00	BANKERS TRUST	7.750	12/01/26	9,788,865.17	97.8887	107.4330	10,743,300.00	954,434.83	775,000.00	7.92	7.07	11.02
12,000,000.00	BAYER HYPO-VEREINSBANK	8.741	06/30/31	10,164,557.85	84.7047	136.6980	16,403,760.00	6,239,202.15	1,048,920.00	10.32	5.95	12.57
8,100,000.00	BAYERISCHE LANDESBANK	11.000	09/27/11	8,100,000.00	100.0000	98.1250	7,948,125.00	(151,875.00)	891,000.00	11.00	11.43	4.50
8,100,000.00	BEAR STEARNS CO INC	9.500	09/22/11	8,100,000.00	100.0000	100.0000	8,100,000.00	-	769,500.00	9.50	9.50	4.69
1,000,000.00	BOEING CORPORATION	8.750	08/15/21	1,211,732.26	121.1732	139.2140	1,392,140.00	180,407.74	87,500.00	7.22	5.13	7.34
8,828,347.30	CBO HOLDINGS III LTD.	7.000	02/10/38	9,309,893.19	105.4545	100.0000	8,828,347.30	(481,545.89)	617,984.31	6.64	7.00	12.52
15,133,516.58	CBO HOLDINGS SPIRIT 2004-3A	6.500	06/01/19	14,997,079.03	99.0984	100.0000	15,133,516.58	136,437.55	983,678.58	6.56	6.50	9.48
8,040,000.00	CONTINENTAL AIRLINES INC	6.320	11/01/08	8,103,243.26	100.7866	100.1680	8,053,507.20	(49,736.06)	508,128.00	6.27	6.27	3.17

INVESTMENTS OWNED
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Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM	Duration
12,756,000.00	CONTINENTAL AIRLINES INC	7.918	05/01/10	13,054,552.53	102.3405	102.1860	13,034,846.16	(19,706.37)	1,010,020.08	7.74	7.39	4.13
5,700,000.00	CONTINENTAL AIRLINES INC	6.503	06/15/11	5,695,793.84	99.9262	98.7280	5,627,496.00	(68,297.84)	370,671.00	6.51	6.76	5.07
2,939,096.80	CONTINENTAL AIRLINES INC	7.256	03/15/20	3,069,646.81	104.4418	100.7970	2,962,521.40	(107,125.41)	213,260.86	6.95	7.17	8.81
4,371,874.18	CONTINENTAL AIRLINES INC	8.048	11/01/20	4,473,941.05	102.3346	100.5380	4,395,394.86	(78,546.19)	351,848.43	7.86	7.99	8.91
4,032,873.10	CONTINENTAL AIRLINES INC	6.703	06/15/21	3,809,208.20	94.4540	97.6290	3,937,253.68	128,045.48	270,323.48	7.10	6.95	10.64
10,500,000.00	COUNTRYWIDE CAPITAL I	8.000	12/15/26	10,500,000.00	100.0000	103.6970	10,888,185.00	388,185.00	840,000.00	8.00	7.65	10.59
5,000,000.00	DAIMLER CHRYSLER	8.500	01/18/31	6,122,079.42	122.4416	126.6900	6,334,500.00	212,420.58	425,000.00	6.94	6.37	8.82
12,450,000.00	DAIMLER CHRYSLER FLOATER	3.890	09/26/05	12,468,936.19	100.1521	100.1390	12,467,305.50	(1,630.69)	484,305.00	3.88	-	-
2,168,937.51	DELTA FUNDING HOME EQUITY	7.600	01/15/30	2,154,831.83	99.3497	100.6660	2,183,382.63	28,550.80	164,839.25	7.65	7.54	11.25
10,000,000.00	ELECTRONIC DATA SYSTEMS	7.125	10/15/09	10,536,681.04	105.3668	107.6320	10,763,200.00	226,518.96	712,500.00	6.76	5.20	3.73
13,500,000.00	FARMERS INSURANCE EXCHANGE	8.625	05/01/24	12,707,216.15	94.1275	124.1390	16,758,765.00	4,051,548.85	1,164,375.00	9.16	6.41	10.27
5,000,000.00	FIRST DOMINION FUNDING II	7.498	04/25/14	5,104,074.33	102.0815	100.0000	5,000,000.00	(104,074.33)	374,900.00	7.35	7.50	6.57
8,000,000.00	FIRST EMPIRE CAPITAL TRUST I	8.234	02/01/27	8,526,711.72	106.5839	108.0600	8,644,800.00	118,088.28	658,720.00	7.73	7.48	9.77
10,000,000.00	FIRST EMPIRE CAPITAL TRUST I	8.277	06/01/27	10,437,034.17	104.3703	108.9520	10,895,200.00	458,165.83	827,700.00	7.93	7.44	10.03
14,000,000.00	FIRST HAWAIIAN CAPITAL TRUST	8.343	07/01/27	14,651,701.21	104.6550	109.4340	15,320,760.00	669,058.79	1,168,020.00	7.97	7.46	9.96
7,488,000.00	FORD HOLDINGS INC	9.375	03/01/20	8,259,312.97	110.3007	96.9300	7,258,118.40	(1,001,194.57)	702,000.00	8.50	9.78	7.44
2,570,000.00	FORD MOTOR COMPANY	9.500	09/15/11	2,569,345.85	99.9746	101.4120	2,606,288.40	36,942.55	244,150.00	9.50	9.19	4.71
10,000,000.00	FORD MOTOR CREDIT	7.250	10/25/11	10,186,538.73	101.8654	96.2270	9,622,700.00	(563,838.73)	725,000.00	7.12	8.01	5.20
801,750.10	GALILEO SECURITIES INC.	1.450	02/03/11	717,456.98	89.4864	100.0000	801,750.10	84,293.12	11,625.38	1.62	1.45	5.93
2,000,000.00	G M NOVA SCOTIA FINANCE CO	6.850	10/15/08	2,052,788.46	102.6394	94.2610	1,885,220.00	(167,568.46)	137,000.00	6.67	8.79	3.09
3,000,000.00	GMAC	6.875	08/28/12	3,080,282.00	102.6761	91.5420	2,746,260.00	(334,022.00)	206,250.00	6.70	8.50	5.52
10,000,000.00	GOLDMAN SACHS GROUP INC.	8.000	03/01/13	9,980,200.76	99.8020	119.9720	11,997,200.00	2,016,999.24	800,000.00	8.02	4.80	5.79
10,800,000.00	HARTFORD LIFE GLOBAL FDG TRUST	4.450	03/15/10	10,723,790.80	99.2944	98.3670	10,623,636.00	(100,154.80)	480,600.00	4.48	4.84	4.25
3,500,000.00	HUNTINGTON BANKS SUB NTS	6.600	06/15/18	3,263,822.91	93.2521	112.0020	3,920,070.00	656,247.09	231,000.00	7.08	5.31	9.57
13,050,000.00	HUTCHISON WHAMPOA FINANCIAL	7.450	08/01/17	14,041,739.89	107.5995	118.0600	15,406,830.00	1,365,090.11	972,225.00	6.92	5.39	7.56
4,500,000.00	HUTCHISON WHAMPOA INTL LTD	7.450	11/24/33	4,367,552.03	97.0567	117.6590	5,294,655.00	927,102.97	335,250.00	7.68	6.13	12.56
5,550,000.00	JACKSON NATIONAL LIFE	8.150	03/15/27	6,168,267.36	111.1400	131.4910	7,297,750.50	1,129,483.14	452,325.00	7.33	5.61	9.43
7,600,000.00	JPM CAPITAL TRUST I	7.540	01/15/27	8,156,055.77	107.3165	107.7330	8,187,708.00	31,652.23	573,040.00	7.03	6.85	10.21
14,666,000.00	JPM CAPITAL TRUST II	7.950	02/01/27	15,248,552.39	103.9721	108.6390	15,932,995.74	684,443.35	1,165,947.00	7.65	7.16	10.23
3,300,000.00	LEHMAN BROS HDLGS FLOAT 05/14	4.970	05/12/14	3,300,000.00	100.0000	99.6530	3,288,549.00	(11,451.00)	164,010.00	4.97	5.02	7.11
9,000,000.00	LIBERTY MUTUAL INSURANCE	7.875	10/15/26	8,540,131.76	94.8904	118.7000	10,683,000.00	2,142,868.24	708,750.00	8.30	6.28	11.27
5,000,000.00	MID OCEAN 2000-1A A2	7.725	01/15/36	4,273,853.17	85.4771	100.0000	5,000,000.00	726,146.83	386,270.00	9.04	7.73	14.17
8,254,166.50	MID OCEAN 2001-1A A1	6.556	11/05/36	8,273,655.60	100.2361	100.0000	8,254,166.50	(19,489.10)	541,167.92	6.54	6.56	13.66
9,375,290.01	MMCAPS FUNDING I LTD/INC	8.030	06/15/31	10,474,119.76	111.7205	120.2180	11,270,786.14	796,666.38	752,835.79	7.19	6.42	10.10
7,600,000.00	MORGAN STANLEY	4.750	04/01/14	7,358,293.92	96.8197	98.5170	7,487,292.00	128,998.08	361,000.00	4.91	4.96	7.67
2,000,000.00	NATIONAL RURAL UTILITIES	8.000	03/01/32	2,020,454.67	101.0227	138.8610	2,777,220.00	756,765.33	160,000.00	7.92	5.26	11.26
2,800,000.00	NORTH STREET 2001-3A CTFS	6.480	04/30/31	2,419,795.87	86.4213	100.0000	2,800,000.00	380,204.13	181,440.00	7.50	6.48	-
3,121,045.55	NORTHWEST AIR LINES INC	7.935	04/01/19	3,344,562.04	107.1616	109.1140	3,405,497.64	60,935.60	247,654.96	7.40	6.91	8.11
7,406,677.08	NORTHWEST AIR LINES INC	7.041	04/01/22	7,319,541.45	98.8236	95.4590	7,070,339.87	(249,201.58)	521,504.13	7.12	7.52	10.29
14,269,694.25	NORTHWEST AIRLINES 1999-2A	7.575	03/01/19	14,791,554.45	103.6571	100.9150	14,400,261.95	(391,292.50)	1,080,929.34	7.31	7.47	8.37
11,900,000.00	NORTHWEST AIRLINES INC	6.841	04/01/11	11,830,053.09	99.4122	96.8320	11,523,008.00	(307,045.09)	814,079.00	6.88	7.51	5.05
2,900,284.07	PACIFIC SHORES CDO	4.860	07/03/37	2,665,043.52	91.8891	99.3900	2,882,592.34	217,548.82	140,953.81	5.29	4.90	-
4,920,000.00	PETROLIAM NASIONAL BERHD	7.625	10/15/26	5,522,282.33	112.2415	127.1980	6,258,141.60	735,859.27	375,150.00	6.79	5.46	9.70
13,200,000.00	PREFERRED CPO	8.946	07/26/30	13,753,271.98	104.1915	116.6000	15,391,200.00	1,637,928.02	1,180,872.00	8.59	7.47	9.95
10,160,000.00	PREMAT ACA TRUST SERIES 1	4.230	03/11/10	10,160,000.00	100.0000	100.4060	10,201,249.60	41,249.60	429,768.00	4.23	4.14	-

INVESTMENTS OWNED BOND PORTFOLIO

JUNE 30, 2005

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Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM	Duration
7,339,080.00	PRINCIPAL LIFE INC FDG FRN	4.650	03/01/12	7,171,255.50	97.7133	97.7900	7,176,886.33	5,630.83	341,267.22	4.76	5.05	5.82
20,250,000.00	PROTECTIVE LIFE CPI+150	4.150	05/10/10	20,250,000.00	100.0000	98.7600	19,998,900.00	(251,100.00)	840,375.00	4.15	4.44	4.32
12,095,423.48	REG DIVERSIFIED FUNDING SR NOTES	9.250	03/15/30	13,539,653.36	111.9403	123.2310	14,905,311.31	1,365,657.95	1,118,826.67	8.26	7.22	9.00
10,900,000.00	SAXON ASSET SECURITIES TRUST	7.371	03/25/32	10,993,615.61	100.8589	96.5870	10,527,983.00	(465,632.61)	803,439.00	7.31	7.67	11.63
8,500,000.00	SECURITY BENEFIT	8.750	05/15/16	9,151,591.64	107.6658	119.9740	10,197,790.00	1,046,198.36	743,750.00	8.13	6.22	6.76
12,000,000.00	SECURITY MUTUAL LIFE NEW YORK	9.375	12/15/16	12,940,368.86	107.8364	138.0174	16,562,088.00	3,621,719.14	1,125,000.00	8.69	4.99	6.74
3,850,000.00	TOYOTA MTR CREDIT FLTR	3.970	10/27/08	3,850,000.00	100.0000	98.5520	3,794,252.00	(55,748.00)	152,845.00	3.97	4.45	3.05
7,200,000.00	TRAINER WORTHAM FIRST REP CBO	4.360	04/10/37	4,513,625.59	62.6892	100.0000	7,200,000.00	2,686,374.41	313,920.00	6.95	4.36	-
18,500,000.00	UNION CENTRAL LIFE	8.200	11/01/26	19,278,196.53	104.2065	118.5540	21,932,490.00	2,654,293.47	1,517,000.00	7.87	6.58	10.02
4,250,000.00	US CELLULAR CORP	6.700	12/15/33	4,173,767.28	98.2063	106.3740	4,520,895.00	347,127.72	284,750.00	6.82	6.22	13.31
17,000,000.00	USF&G CAPITAL II, SERIES B	8.470	01/10/27	18,278,359.68	107.5198	108.9580	18,522,860.00	244,500.32	1,439,900.00	7.88	7.62	9.52
33,600,000.00	WASHINGTON MUTUAL INC	3.480	11/03/05	33,629,507.69	100.0878	100.0790	33,626,544.00	(2,963.69)	1,169,280.00	3.48	-	-
8,730,000.00	WESTINGHOUSE ELECTRIC	7.875	09/01/23	10,177,227.14	116.5776	118.4510	10,340,772.30	163,545.16	687,487.50	6.76	6.16	8.50
7,000,000.00	WYETH	6.450	02/01/24	6,691,236.55	95.5891	113.8630	7,970,410.00	1,279,173.45	451,500.00	6.75	5.27	11.57
10,500,000.00	ZAIS INVESTMENT GRADE LTD	2.481	12/10/15	6,998,075.80	66.6483	100.0000	10,500,000.00	3,501,924.20	260,463.00	3.72	2.48	13.97
11,000,000.00	ZURICH CAPITAL TRUST I	8.376	06/01/37	11,129,583.68	101.1780	110.5890	12,164,790.00	1,035,206.32	921,360.00	8.28	7.50	11.40
611,348,056.51	TOTAL CORPORATE BONDS			617,419,727.77			662,003,093.43	44,583,365.66	43,344,112.71	7.02	4.34	7.01
834,000,555.89	BOND PORTFOLIO TOTALS			837,459,213.41			904,052,745.92	66,593,532.51	57,489,261.89	6.86	5.66	7.96

INVESTMENTS OWNED
CORPORATE NOTES

JUNE 30, 2005

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
06/30/2004	TRANSAMERICA ASSET FUNDING	3.39	07/01/2005	29,997,175.00	2,825.00	30,000,000.00
06/08/2005	STARBIRD FUNDING CORPORATION	3.1	07/08/2005	24,436,708.34	63,291.66	24,500,000.00
06/28/2005	BEETHOVEN FUNDING CORPORATION	3.3	07/12/2005	16,778,440.00	21,560.00	16,800,000.00
06/30/2005	WPS RESOURCES CORPORATION	3.27	07/12/2005	34,961,850.00	38,150.00	35,000,000.00
06/30/2005	PARADIGM FUNDING	3.29	01/07/1900	6,991,043.88	8,956.12	7,000,000.00
06/14/2005	WORLD OMNI VEHICLE LEASING	3.17	07/18/2005	39,880,244.44	119,755.56	40,000,000.00
06/09/2005	MARKET STREET FUNDING	3.13	07/19/2005	34,878,277.78	121,722.22	35,000,000.00
06/21/2005	BTM CAPITAL CORPORATION	3.24	07/19/2005	40,896,680.00	103,320.00	41,000,000.00
06/20/2005	GIRO MULTI-FUNDING	3.24	07/20/2005	27,625,210.00	74,790.00	27,700,000.00
06/20/2005	THAMES ASSET GLOBAL SECURITIES	3.22	07/22/2005	19,942,755.56	57,244.44	20,000,000.00
TOTAL CORPORATE NOTES				276,388,385.00	611,615.00	277,000,000.00

INVESTMENTS OWNED COMMON STOCK PORTFOLIO

JUNE 30, 2005

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Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
1,000,000	ABBOTT LABORATORIES	1.10	13.1880	13,188,046.70	49.0100	49,010,000.00	1,100,000.00	35,821,953.30
225,000	ABERCROMBIE & FITCH	0.50	31.5673	7,102,652.57	68.7000	15,457,500.00	112,500.00	8,354,847.43
500,000	ADOBE SYSTEMS	0.05	19.9196	9,959,822.14	28.6100	14,305,000.00	25,000.00	4,345,177.86
400,000	AETNA INC	0.04	40.3271	16,130,830.00	82.8200	33,128,000.00	16,000.00	16,997,170.00
300,000	AFFILIATED COMPUTER SERVICES	-	54.2513	16,275,403.21	51.1000	15,330,000.00	-	(945,403.21)
50,000	AIRGAS INC	0.24	24.7985	1,239,922.50	24.6700	1,233,500.00	12,000.00	(6,422.50)
316,800	ALBERTO CULVER CO	0.46	36.3484	11,515,167.12	43.3300	13,726,944.00	145,728.00	2,211,776.88
100,000	ALCAN INC	0.60	39.9627	3,996,270.96	30.0000	3,000,000.00	60,000.00	(996,270.96)
201,600	ALCOA INC	0.60	18.9268	3,815,647.44	26.1300	5,267,808.00	120,960.00	1,452,160.56
1,000,000	ALLSTATE CORPORATION	1.28	23.8703	23,870,336.80	59.7500	59,750,000.00	1,280,000.00	35,879,663.20
650,000	ALLTEL CORPORATION	1.52	58.7062	38,159,017.62	62.2800	40,482,000.00	988,000.00	2,322,982.38
200,000	AMBAC FINANCIAL GROUP INC	0.50	56.9377	11,387,548.80	69.7600	13,952,000.00	100,000.00	2,564,451.20
675,000	AMERICA WEST AIRLINES	-	14.1169	9,528,909.37	6.0000	4,050,000.00	-	(5,478,909.37)
500,000	AMERICAN EXPRESS	0.48	35.1221	17,561,067.44	53.2300	26,615,000.00	240,000.00	9,053,932.56
650,000	AMERICAN INT'L GROUP	0.50	37.6696	24,485,240.06	58.1000	37,765,000.00	325,000.00	13,279,759.94
450,000	AMERICAN STANDARD COMPANY INC	0.60	25.5206	11,484,254.70	41.9200	18,864,000.00	270,000.00	7,379,745.30
1,050,000	AMGEN	-	38.5470	40,474,317.32	60.4600	63,483,000.00	-	23,008,682.68
181,400	AMSOUTH BANCORPORATION	1.00	21.5919	3,916,762.60	26.0000	4,716,400.00	181,400.00	799,637.40
175,000	ANALOG DEVICES, INC.	0.40	72.9595	12,767,909.06	37.3100	6,529,250.00	70,000.00	(6,238,659.06)
250,000	ANHEUSER BUSCH COMPANY	0.98	51.9684	12,992,106.94	45.7500	11,437,500.00	245,000.00	(1,554,606.94)
42,200	ANSYS INC.	-	31.4546	1,327,385.40	35.6400	1,504,008.00	-	176,622.60
650,000	APACHE CORPORATION	0.32	23.0379	14,974,606.27	64.6000	41,990,000.00	208,000.00	27,015,393.73
175,000	APOLLO GROUP, INC.	-	66.1510	11,576,426.62	78.2200	13,688,500.00	-	2,112,073.38
434,000	AT&T CORP	0.95	18.3392	7,959,212.00	19.0400	8,263,360.00	412,300.00	304,148.00
500,000	AUTOMATIC DATA PROCESSING	0.62	39.6892	19,844,615.97	41.9700	20,985,000.00	310,000.00	1,140,384.03
100,000	AUTOZONE INC	-	87.4502	8,745,020.00	92.4600	9,246,000.00	-	500,980.00
100,000	BALL CORP	0.40	42.4540	4,245,400.00	35.9600	3,596,000.00	40,000.00	(649,400.00)
1,050,000	BANK OF AMERICA CORPORATION	2.00	37.2773	39,141,114.00	45.6100	47,890,500.00	2,100,000.00	8,749,386.00
300,000	BEAR STEARNS COMPANY	1.00	90.4701	27,141,030.14	103.9400	31,182,000.00	300,000.00	4,040,969.86
500,000	BED BATH & BEYOND	-	39.0753	19,537,650.70	41.7800	20,890,000.00	-	1,352,349.30
625,000	BEST BUY CO INC	0.44	51.9470	32,466,890.79	68.5500	42,843,750.00	275,000.00	10,376,859.21
150,000	BIOMET INC	1.00	36.9152	5,537,280.04	34.6300	5,194,500.00	150,000.00	(342,780.04)
300,000	BJ SERVICES COMPANY	0.32	38.1459	11,443,765.15	52.4800	15,744,000.00	96,000.00	4,300,234.85
300,000	BOEING CO.	1.00	44.4686	13,340,586.00	66.0000	19,800,000.00	300,000.00	6,459,414.00
417,700	BURLINGTON NORTHERN SANTE FE	0.68	45.3103	18,926,125.89	47.0800	19,665,316.00	284,036.00	739,190.11
20,400	CACI INTERNATIONAL	-	66.8559	1,363,861.26	63.1600	1,288,464.00	-	(75,397.26)
300,000	CANADIAN NATIONAL RAILWAY	0.03	31.4603	9,438,084.51	57.6500	17,295,000.00	9,000.00	7,856,915.49
45,200	CAPITAL AUTOMOTIVE REIT	1.75	28.9188	1,307,128.90	38.1600	1,724,832.00	79,100.00	417,703.10

INVESTMENTS OWNED
COMMON STOCK PORTFOLIO

JUNE 30, 2005

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Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
92,000	CAREMARK RX INC	-	41.7493	3,840,935.60	44.5200	4,095,840.00	-	254,904.40
250,000	CENTURY TELEPHONE INC	0.24	34.0778	8,519,461.20	34.6300	8,657,500.00	60,000.00	138,038.80
29,200	CEPHALON INC	-	46.2600	1,350,792.00	39.8000	1,162,160.00	-	(188,632.00)
600,000	CHEVRON CORP	1.80	49.2646	29,558,784.50	55.9200	33,552,000.00	1,080,000.00	3,993,215.50
136,500	CINERGY CORP	1.92	41.9000	5,719,345.13	44.8200	6,117,930.00	262,080.00	398,584.87
2,225,000	CISCO SYSTEMS	-	9.2323	20,541,957.82	19.0800	42,453,000.00	-	21,911,042.18
1,866,666	CITIGROUP, INC.	1.76	40.0874	74,829,853.48	46.2300	86,295,969.18	3,285,332.16	11,466,115.70
62,600	CLARCOR INC	0.26	21.5196	1,347,124.04	29.2500	1,831,050.00	16,276.00	483,925.96
300,000	CNF INC	0.40	48.0515	14,415,440.18	44.9000	13,470,000.00	120,000.00	(945,440.18)
400,000	COCA-COLA CO	1.12	49.9399	19,975,950.00	41.7500	16,700,000.00	448,000.00	(3,275,950.00)
47,200	COHERENT, INC.	-	29.9786	1,414,991.56	36.0100	1,699,672.00	-	284,680.44
100,000	COLGATE PALMOLIVE CO	1.16	52.8959	5,289,590.00	49.9100	4,991,000.00	116,000.00	(298,590.00)
37,000	COLONIAL PROPERTY TRUST	2.70	36.8256	1,362,547.20	44.0000	1,628,000.00	99,900.00	265,452.80
650,000	COMCAST CORP-SPECIAL CL A	-	31.8365	20,693,715.98	29.9500	19,467,500.00	-	(1,226,215.98)
400,000	COMMERCE BANCORP, INC.	0.44	21.4067	8,562,665.90	30.3100	12,124,000.00	176,000.00	3,561,334.10
800,000	CONSTELLATION BRANDS	-	15.4495	12,359,616.76	29.5000	23,600,000.00	-	11,240,383.24
301,700	CONSTELLATION ENERGY GROUP INC	1.34	42.4378	12,803,475.00	57.6900	17,405,073.00	404,278.00	4,601,598.00
225,000	COOPER COMPANIES	0.06	75.5303	16,994,318.25	60.8600	13,693,500.00	13,500.00	(3,300,818.25)
325,000	COVANCE INC	-	43.1052	14,009,180.31	44.8700	14,582,750.00	-	573,569.69
44,000	CULLEN/FROST BANKERS	1.20	30.7263	1,351,956.12	47.6500	2,096,600.00	52,800.00	744,643.88
650,000	CVS CORP	0.29	26.6100	17,296,528.66	29.0700	18,895,500.00	188,500.00	1,598,971.34
500,000	D. R. HORTON	0.36	18.8030	9,401,489.45	37.6100	18,805,000.00	180,000.00	9,403,510.55
525,000	DEAN FOODS	-	29.4164	15,443,593.66	35.2400	18,501,000.00	-	3,057,406.34
625,000	DELL INC	-	39.4171	24,635,682.11	39.4600	24,662,500.00	-	26,817.89
450,000	DEVON ENERGY CORPORATION	0.30	40.4550	18,204,772.35	50.6800	22,806,000.00	135,000.00	4,601,227.65
450,000	DOW CHEMICAL	1.34	42.8579	19,286,072.53	44.5300	20,038,500.00	603,000.00	752,427.47
106,700	EDUCATION MANAGEMENT	-	29.1903	3,114,609.50	33.7300	3,598,991.00	-	484,381.50
635,000	EMC CORP	-	11.3255	7,191,708.90	13.7100	8,705,850.00	-	1,514,141.10
60,000	ENERGEN CORP	0.80	29.7940	1,787,640.00	35.0500	2,103,000.00	48,000.00	315,360.00
125,000	EXELON CORP	1.60	46.5486	5,818,577.66	51.3300	6,416,250.00	200,000.00	597,672.34
650,000	EXPRESS SCRIPTS	-	11.9840	7,789,601.85	49.9800	32,487,000.00	-	24,697,398.15
1,800,000	EXXON MOBIL CORP	1.16	35.6345	64,142,123.94	57.4700	103,446,000.00	2,088,000.00	39,303,876.06
400,000	FEDEX CORPORATION	0.32	72.1389	28,855,560.28	81.0100	32,404,000.00	128,000.00	3,548,439.72
450,000	FISERV INC	-	36.0088	16,203,953.40	42.8900	19,300,500.00	-	3,096,546.60
1,650,000	FLEXTRONICS INTERNATIONAL	-	13.8468	22,847,245.11	13.2100	21,796,500.00	-	(1,050,745.11)
150,000	FMC CORP	-	47.9201	7,188,009.03	56.1400	8,421,000.00	-	1,232,990.97
400,000	FORTUNE BRANDS, INC.	1.32	61.8085	24,723,399.77	88.8000	35,520,000.00	528,000.00	10,796,600.23
300,000	FRANKLIN RESOURCES INC	0.40	51.4264	15,427,905.65	76.9800	23,094,000.00	120,000.00	7,666,094.35

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Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
200,000	GANNETT COMPANY	1.08	73.1436	14,628,717.26	71.1300	14,226,000.00	216,000.00	(402,717.26)
300,000	GENENTECH, INC.	-	36.6062	10,981,871.40	80.2800	24,084,000.00	-	13,102,128.60
400,000	GENZYME CORPORATION	-	57.5662	23,026,473.30	60.0900	24,036,000.00	-	1,009,526.70
750,000	GILEAD SCIENCES, INC	-	17.4226	13,066,950.00	43.9900	32,992,500.00	-	19,925,550.00
550,000	GLOBALSANTAFE CORP	0.60	34.6204	19,041,225.30	40.8000	22,440,000.00	330,000.00	3,398,774.70
200,000	GRAINGER (W W) INC	0.96	61.7797	12,355,940.11	54.7900	10,958,000.00	192,000.00	(1,397,940.11)
400,000	GUITAR CENTER INC	-	50.9245	20,369,804.82	58.3700	23,348,000.00	-	2,978,195.18
560,500	HARTFORD FINANCIAL SERVICES GROUP	1.16	51.3391	28,775,539.95	74.7800	41,914,190.00	650,180.00	13,138,650.05
87,400	HOLOGIC INC	-	15.4017	1,346,105.40	39.7500	3,474,150.00	-	2,128,044.60
850,000	HOME DEPOT	0.40	10.2271	8,693,065.64	38.9000	33,065,000.00	340,000.00	24,371,934.36
43,600	HUDSON UNITED BANCORP	1.48	31.0953	1,355,757.20	36.1000	1,573,960.00	64,528.00	218,202.80
150,000	HUMANA INC	-	33.4620	5,019,293.34	39.7400	5,961,000.00	-	941,706.66
29,200	HYDRIL	-	44.9577	1,312,766.25	54.3500	1,587,020.00	-	274,253.75
329,200	INGERSOLL-RAND 'A'	1.00	74.2782	24,452,391.42	71.3500	23,488,420.00	329,200.00	(963,971.42)
1,275,000	INTEL CORPORATION	0.32	29.6194	37,764,713.36	26.0200	33,175,500.00	408,000.00	(4,589,213.36)
600,000	INTERNATIONAL BUSINESS MACH.	0.80	44.2126	26,527,569.61	74.2000	44,520,000.00	480,000.00	17,992,430.39
600,000	JABIL CIRCUIT	-	20.4064	12,243,836.30	30.7300	18,438,000.00	-	6,194,163.70
350,000	JACOBS ENGINEERING GROUP INC.	-	32.7400	11,458,987.16	56.2600	19,691,000.00	-	8,232,012.84
48,000	JO-ANN STORES, INC	-	27.3604	1,313,299.27	26.3900	1,266,720.00	-	(46,579.27)
900,000	JOHNSON & JOHNSON CO	1.32	56.3538	50,718,444.00	65.0000	58,500,000.00	1,188,000.00	7,781,556.00
431,700	JP MORGAN CHASE & CO	1.36	31.0063	13,385,399.95	35.3200	15,247,644.00	587,112.00	1,862,244.05
85,100	LANCE, INC	0.64	15.2887	1,301,065.91	17.2100	1,464,571.00	54,464.00	163,505.09
1,200,000	LANDSTAR SYSTEMS, INC	-	12.8071	15,368,506.37	30.1800	36,216,000.00	-	20,847,493.63
300,000	LEHMAN BROTHERS HOLDINGS	0.80	83.8189	25,145,684.44	99.2800	29,784,000.00	240,000.00	4,638,315.56
400,000	LENNAR CORP Class A	0.55	27.1592	10,863,691.74	63.4500	25,380,000.00	220,000.00	14,516,308.26
300,000	LEXMARK INTERNATIONAL GROUP	-	72.5137	21,754,101.54	64.8300	19,449,000.00	-	(2,305,101.54)
150,000	LINEAR TECHNOLOGY CORP	0.40	39.0500	5,857,500.00	36.6900	5,503,500.00	60,000.00	(354,000.00)
35,300	MANITOWOC COMPANY INC.	0.07	19.4979	688,275.87	41.0200	1,448,006.00	2,471.00	759,730.13
100,000	MAXIM INTEGRATED PRODUCTS INC	0.40	44.0249	4,402,490.00	38.2200	3,822,000.00	40,000.00	(580,490.00)
2,475,000	MBNA CORP	0.56	10.0811	24,950,805.00	26.1600	64,746,000.00	1,386,000.00	39,795,195.00
200,000	MCAFFEE INC	-	28.4414	5,688,280.00	26.1800	5,236,000.00	-	(452,280.00)
150,000	MEDTRONIC, INC.	0.39	48.0376	7,205,640.00	51.7900	7,768,500.00	58,500.00	562,860.00
400,000	MICROCHIP TECHNOLOGY INC.	0.38	26.3234	10,529,365.24	29.6200	11,848,000.00	152,000.00	1,318,634.76
2,900,000	MICROSOFT CORPORATION	0.32	36.1838	104,933,045.54	24.8400	72,036,000.00	928,000.00	(32,897,045.54)
58,900	MOHAWK INDUSTRIES	-	71.1180	4,188,851.11	82.5000	4,859,250.00	-	670,398.89
500,000	NABORS INDUSTRIES, LTD	-	54.6005	27,300,246.08	60.6200	30,310,000.00	-	3,009,753.92
300,000	NATIONAL CITY CORP	1.48	32.1346	9,640,384.18	34.1200	10,236,000.00	444,000.00	595,615.82
300,000	NEXTEL COMMUNICATIONS	-	24.7452	7,423,562.35	32.3100	9,693,000.00	-	2,269,437.65

INVESTMENTS OWNED COMMON STOCK PORTFOLIO

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Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
450,000	NEXTEL PARTNERS 'A'	-	17.1021	7,695,963.75	25.1700	11,326,500.00	-	3,630,536.25
825,000	NOKIA CORPORATION	0.36	15.8983	13,116,086.25	16.6400	13,728,000.00	297,000.00	611,913.75
350,000	OMNICOM GROUP	0.90	82.3421	28,819,718.09	79.8600	27,951,000.00	315,000.00	(868,718.09)
155,300	ONEOK INC	1.12	23.0600	3,581,225.65	32.6500	5,070,545.00	173,936.00	1,489,319.35
300,000	P.F. CHANG'S CHINA BISTRO	-	26.4484	7,934,527.53	58.9800	17,694,000.00	-	9,759,472.47
400,000	PACIFIC SUNWEAR OF CALIFORNIA	-	20.3929	8,157,174.52	22.9900	9,196,000.00	-	1,038,825.48
900,000	PEPSICO INC.	1.04	46.9121	42,220,922.20	53.9300	48,537,000.00	936,000.00	6,316,077.80
1,450,000	PFIZER INC.	0.76	30.9664	44,901,245.23	27.5800	39,991,000.00	1,102,000.00	(4,910,245.23)
450,000	PLANTRONICS, INC.	0.20	27.4680	12,360,602.96	36.3600	16,362,000.00	90,000.00	4,001,397.04
250,000	PRAXAIR INC	0.72	35.2825	8,820,613.50	46.6000	11,650,000.00	180,000.00	2,829,386.50
1,000,000	PROCTER & GAMBLE COMPANY	1.12	46.3641	46,364,099.36	52.7500	52,750,000.00	1,120,000.00	6,385,900.64
600,000	QUALCOMM INCORPORATED	0.36	40.5546	24,332,743.72	33.0100	19,806,000.00	216,000.00	(4,526,743.72)
26,000	QUANEX CORP	0.54	50.3337	1,308,676.20	53.0100	1,378,260.00	14,040.00	69,583.80
500,000	QUIKSILVER, INC	-	8.5051	4,252,555.19	15.9800	7,990,000.00	-	3,737,444.81
38,500	RALCORP HOLDINGS INC	-	34.3295	1,321,685.27	41.1500	1,584,275.00	-	262,589.73
45,000	RESMED INC	-	30.0845	1,353,804.36	65.9900	2,969,550.00	-	1,615,745.64
43,200	RESPIRONICS INC	-	32.1463	1,388,719.29	36.1100	1,559,952.00	-	171,232.71
200,000	SCHOLASTIC CORPORATION	-	25.6701	5,134,025.32	38.5500	7,710,000.00	-	2,575,974.68
25,600	SCOTTS CO'A'	-	53.0500	1,358,080.00	71.2100	1,822,976.00	-	464,896.00
1,225,000	SCP POOL CORPORATION	0.09	11.8893	14,564,420.33	35.0900	42,985,250.00	110,250.00	28,420,829.67
200,000	SEALED AIR	-	51.1567	10,231,348.61	49.7900	9,958,000.00	-	(273,348.61)
700,000	SEI INVESTMENTS COMPANY	0.22	39.3673	27,557,135.95	37.3500	26,145,000.00	154,000.00	(1,412,135.95)
325,000	SEMPRA ENERGY	1.16	32.3783	10,522,938.30	41.3100	13,425,750.00	377,000.00	2,902,811.70
81,600	SKYWEST INC	0.12	16.0317	1,308,183.90	18.1800	1,483,488.00	9,792.00	175,304.10
41,000	SOUTH FINANCIAL GROUP	0.64	31.8057	1,304,033.70	28.4200	1,165,220.00	26,240.00	(138,813.70)
33,000	SOVRAN SELF STORAGE	2.42	42.5087	1,402,787.67	45.4600	1,500,180.00	79,860.00	97,392.33
48,600	SPECTRUM BRANDS INC.	-	27.9549	1,358,607.24	33.0000	1,603,800.00	-	245,192.76
1,600,000	ST. JUDE MEDICAL	-	20.1298	32,207,686.87	43.6100	69,776,000.00	-	37,568,313.13
637,500	STAPLES, INC.	0.25	17.6344	11,241,925.05	21.2900	13,572,375.00	159,375.00	2,330,449.95
138,700	STEAK N SHAKE	-	18.5754	2,576,401.45	18.6200	2,582,594.00	-	6,192.55
1,150,000	SYMANTEC CORPORATION	-	6.2173	7,149,861.56	21.7400	25,001,000.00	-	17,851,138.44
700,000	SYSCO CORPORATION	0.60	29.8466	20,892,626.51	36.1900	25,333,000.00	420,000.00	4,440,373.49
450,000	T. ROWE PRICE GROUP INC	0.92	38.9340	17,520,293.61	62.6000	28,170,000.00	414,000.00	10,649,706.39
800,000	TEXAS INSTRUMENTS	0.10	24.5741	19,659,263.72	28.0700	22,456,000.00	80,000.00	2,796,736.28
105,000	TREEHOUSE FOODS INC	-	0.0000	-	28.5100	2,993,550.00	-	2,993,550.00
1,175,000	TYCO INTERNATIONAL LTD.	0.40	33.1899	38,998,092.96	29.2000	34,310,000.00	470,000.00	(4,688,092.96)
67,000	UGI CORP	0.68	19.7750	1,324,925.00	27.9000	1,869,300.00	45,560.00	544,375.00
49,600	UNITED NATURAL FOODS	-	26.7144	1,325,035.80	30.3700	1,506,352.00	-	181,316.20

INVESTMENTS OWNED
COMMON STOCK PORTFOLIO

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Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
400,000	UNITED PARCEL SERVICE	1.32	73.2386	29,295,451.21	69.1600	27,664,000.00	528,000.00	(1,631,451.21)
44,000	URS CORP	-	29.7308	1,308,157.20	37.3500	1,643,400.00	-	335,242.80
75,000	UTI WORLDWIDE INC	0.60	69.9839	5,248,793.97	69.6200	5,221,500.00	45,000.00	(27,293.97)
31,650	VERITY, INC	-	11.7533	371,993.10	8.7700	277,570.50	-	(94,422.60)
300,000	VERIZON COMMUNICATIONS	1.62	37.7507	11,325,200.00	34.5500	10,365,000.00	486,000.00	(960,200.00)
425,000	VISHAY INTERTECHNOLOGY INC	-	26.3549	11,200,844.31	11.8700	5,044,750.00	-	(6,156,094.31)
1,050,000	VODAFONE GROUP	0.79	21.5148	22,590,539.52	24.3200	25,536,000.00	829,500.00	2,945,460.48
400,000	VORNADO REALTY TRUST	3.04	42.5851	17,034,032.63	80.4000	32,160,000.00	1,216,000.00	15,125,967.37
400,000	WACHOVIA CORP	1.84	49.3412	19,736,498.91	49.6000	19,840,000.00	736,000.00	103,501.09
650,000	WALGREEN COMPANY	0.21	17.0344	11,072,336.95	45.9900	29,893,500.00	136,500.00	18,821,163.05
1,200,000	WAL-MART STORES	0.60	53.6877	64,425,220.26	48.2000	57,840,000.00	720,000.00	(6,585,220.26)
54,450	WASTE CONNECTIONS	-	24.7699	1,348,722.79	37.2900	2,030,440.50	-	681,717.71
83,000	WATTS WATER TECHNOLOGIES 'A'	0.32	16.3755	1,359,166.50	33.4900	2,779,670.00	26,560.00	1,420,503.50
53,700	WEBEX COMMUNICATIONS	-	24.3781	1,309,103.97	26.4100	1,418,217.00	-	109,113.03
450,000	WELLPOINT INC	-	53.9259	24,266,660.00	69.6400	31,338,000.00	-	7,071,340.00
350,000	WILLIAMS COMPANIES, INC.	0.20	24.9221	8,722,745.99	19.0000	6,650,000.00	70,000.00	(2,072,745.99)
150,000	WINNEBAGO INDUSTRIES INC	0.28	35.7567	5,363,500.26	32.7500	4,912,500.00	42,000.00	(451,000.26)
100,000	ZIMMER HOLDINGS INC	-	80.7512	8,075,121.38	76.1700	7,617,000.00	-	(458,121.38)
TOTAL COMMON STOCK PORTFOLIO				2,477,169,363.85		3,198,451,663.18	40,203,758.16	721,282,299.33

INVESTMENTS OWNED
OTHER INVESTMENTS PORTFOLIO

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Security	Coupon	Maturity	Book Cost	Current Value	Gain or Loss	Annual Income	Book Yield
APEX CAPITAL FUND 1							
BUCKEYE	11.000		215,998.60	215,998.60	-	23,759.85	11.0%
CAMPO VERDE	11.000		527,609.80	527,609.80	-	58,037.08	11.0%
CIBOLA VISTA (ENGLE)	11.000		182,696.08	182,696.08	-	20,096.57	11.0%
CIBOLA VISTA (LENNAR)	11.000		312,067.38	312,067.38	-	34,327.41	11.0%
COPPER CREEK	11.000		490,722.64	490,722.64	-	53,979.49	11.0%
CORTESSA	11.000		305,781.95	305,781.95	-	33,636.01	11.0%
HIGHLAND GROVES	11.000		342,344.75	342,344.75	-	37,657.92	11.0%
MERITAGE-VERRADO	11.000		6,843.30	6,843.30	-	752.76	11.0%
RIO PASEO	11.000		498,367.12	498,367.12	-	54,820.38	11.0%
SORRENTO	11.000		1,516,940.01	1,516,940.01	-	166,863.40	11.0%
TRES RIOS	11.000		460,881.58	460,881.58	-	50,696.97	11.0%
WESTPARK	11.000		207,735.18	207,735.18	-	22,850.87	11.0%
TOTAL APEX CAPITAL FUND 1			5,067,988.39	5,067,988.39	-	557,478.72	11.0%
BRIDGE FINANCIAL LOANS							
GRAND INN - NOTE	10.000	09/10/05	597,920.00	597,920.00	-	59,792.00	10.0%
TOTAL BRIDGE FINANCIAL LOANS			597,920.00	597,920.00	-	59,792.00	10.0%
DESERT TROON DEBT							
FAIRWAYS CORPORATE CENTER	9.000		8,520,360.00	8,520,360.00	-	766,832.40	9.0%
PERIMETER CENTER	9.000		11,206,960.00	11,206,960.00	-	1,008,626.40	9.0%
TRAILSIDE POINT	9.000		399,152.00	399,152.00	-	35,923.68	9.0%
TOTAL DESERT TROON DEBT			20,126,472.00	20,126,472.00	-	1,811,382.48	9.0%
DIVERSIFIED FUNDING GROUP							
WORKING CAPITAL	5.000		64,640.00	64,640.00	-	3,232.00	5.0%
TOTAL DIVERSIFIED FUNDING GROUP			64,640.00	64,640.00	-	3,232.00	5.0%
PIVOTAL DEBT FUND							
CIMARRON	9.200		6,139,652.70	6,139,652.70	-	564,848.05	9.2%
COLORADO	9.200		3,070,400.00	3,070,400.00	-	282,476.80	9.2%
COLORADO II	9.200		5,373,200.00	5,373,200.00	-	494,334.40	9.2%
RED MOUNTAIN	9.200		2,302,563.60	2,302,563.60	-	211,835.85	9.2%
SANDIA	9.200		2,686,481.80	2,686,481.80	-	247,156.33	9.2%
WORKING CAPITAL	9.200		38,376.06	38,376.06	-	3,530.60	9.2%
TOTAL PIVOTAL DEBT FUND			19,610,674.16	19,610,674.16	-	1,804,182.02	9.2%
PIVOTAL EQUITY							
COLORADO	10.000		2,181,600.00	2,181,600.00	-	218,160.00	10.0%
PIVOTAL CIMARRON, LLC	10.000		4,464,844.00	4,464,844.00	-	446,484.40	10.0%
PIVOTAL SANDIA, LLC	10.000		2,545,200.00	2,545,200.00	-	254,520.00	10.0%
PIVOTAL SCOTTSDALE 123, LLC	10.000		3,199,507.07	3,199,507.07	-	319,950.71	10.0%
TOTAL PIVOTAL EQUITY			12,391,151.07	12,391,151.07	-	1,239,115.11	10.0%
SBA LOANS							
EQUITY PARTNERSHIP	9.250	05/01/16	779,179.98	779,179.98	-	72,074.15	9.3%
NIARKOS	10.000	05/01/14	355,369.70	355,369.70	-	35,536.97	10.0%
TOTAL SBA LOANS			1,134,549.68	1,134,549.68	-	107,611.12	9.5%

INVESTMENTS OWNED
OTHER INVESTMENTS PORTFOLIO

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Security	Coupon	Maturity	Book Cost	Current Value	Gain or Loss	Annual Income	Book Yield
MISCELLANEOUS							
PEBBLECREEK PROPERTIES	10.000	04/01/05	80,526.04	80,526.04	-	8,052.60	10.0%
WHISPERING CANYON	13.000		483,305.13	483,305.13		62,829.67	13.0%
TOTAL MISCELLANEOUS			563,831.17	563,831.17	-	70,882.27	12.6%
TOTAL BEFORE LLC			59,557,226.47	59,557,226.47	-	2,038,111.22	3.4%
LLC							
CENTURY PLAZA HOTEL (CPH I,LLC)			37,791,939.24	37,791,939.24			
DESERT TROON - FAIRWAYS			3,555,200.00	3,555,200.00			
DESERT TROON - HASSAYAMPA			3,102,720.00	3,102,720.00			
DESERT TROON - HASSAYAMPA			1,034,240.00	1,034,240.00			
DESERT TROON - LA MIRADA			3,425,920.00	3,425,920.00			
DESERT TROON - PERIMETER (224K BLDG)			5,171,200.00	5,171,200.00			
DESERT TROON - SEVILLE OFFICE			1,163,520.00	1,163,520.00			
DESERT TROON - SEVILLE RETAIL			2,714,880.00	2,714,880.00			
DESERT TROON - TOREEON			4,136,960.00	4,136,960.00			
DESERT TROON - TOREEON GC			2,908,406.11	2,908,406.11			
DTR1, LLC - PERIMETER CENTER			1,829,171.67	1,829,171.67			
DTR1, LLC - TRAILSIDE POINT			601,152.00	601,152.00			
HARBOR BAY CAMPUS			5,089,710.67	5,089,710.67			
NXTV, L.L.C.			9,962,084.81	9,962,084.81			
PIVOTAL NEWS I, L.L.C.			766,359.20	766,359.20			
PIVOTAL PROMONTORY			27,629,857.94	27,629,857.94			
PIVOTAL SPA I, L.L.C.			10,408,458.33	10,408,458.33			
PROSPECTOR EQUITY CAPITAL			1,657,313.40	1,657,313.40			
VALLEY VENTURES III			11,598,427.88	11,598,427.88			
TOTAL LLC			134,547,521.25	134,547,521.25			
TOTAL OTHER INVESTMENTS PORTFOLIO			194,104,747.72	194,104,747.72			

ACTUARIAL SECTION

THIRTY-SEVENTH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2005

Actuarial Certification Statement

Aggregate Actuarial Balance Sheet, June 30, 2005

Summary of Valuation Methods and Assumptions

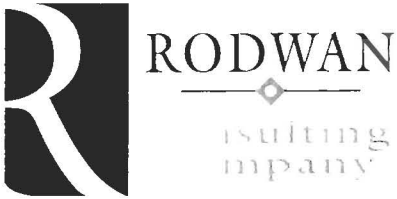
Solvency Test

Summary of Active Member Data

Summary of Inactive Member Data

Schedule of Retirants and Beneficiaries

Schedule of Experience Gain / (Loss)



October 25, 2005

The Fund Manager
Arizona Public Safety Personnel Retirement System
3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416

Attention: James Hacking, Administrator

The purpose of the annual actuarial valuations of the Arizona Public Safety Personnel Retirement System is to determine the liabilities and funding requirements for the participating groups. We certify that the June 30, 2005 annual actuarial valuations were made in accordance with recognized actuarial methods.

Data for the annual valuations was furnished by the Administrator and was checked by us for internal completeness and year-to-year consistency, but was not otherwise audited. The actuary prepared all of the schedules in the Actuarial Section and the Schedule of Funding Progress in the Financial Section of the Comprehensive Annual Financial Report.

The actuarial assumptions were adopted by the Fund Manager based upon the recommendations of the actuary and the results of experience studies, the most recent of which covered the 5 year period ended June 30, 2003. The assumptions and methods conform to the parameters established in Governmental Accounting Standards Board Statement 25. Actuarial gains (losses) are amortized as level percents of payroll over 20 years.

The funding value of assets is a smoothed market value which spreads differences between the actual and assumed investment return over a seven year period.

On the basis of the June 30, 2005 valuation, it is our opinion that the liabilities of the Retirement System are being funded as incurred in accordance with sound actuarial principles.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Sandra W. Rodwan'.

Sandra W. Rodwan
Member, American Academy of Actuaries

AGGREGATE ACTUARIAL BALANCE SHEET

June 30, 2005

Actuarial Assets

Accrued Assets			
Member Accumulated contributions	\$	643,712,465	
Employer and benefit payment reserves		3,713,966,917	
Funding value adjustment		1,066,796,578	
Total accrued assets*		\$ 5,424,475,960	
Prospective assets (computed value)			
Member contributions		857,211,491	
Employer normal costs		1,176,694,606	
Employer unfunded actuarial accrued liability		1,064,974,411	
Total prospective assets		3,098,880,508	
Total Actuarial Assets		\$ 8,523,356,468	

**Includes \$537,513,325 reserve for payment of ad-hoc pension increases. The net funding value of assets is \$4,886,962,635.*

Actuarial Present Values (Liability)

Pensions in payment status			
Service pensions	\$	1,871,744,941	
Disability pensions		333,104,988	
Survivor pensions		238,894,373	
Health insurance		122,742,249	
Total Benefit values		\$ 2,566,486,551	
Prospective pension payments (future retirements)		5,234,001,130	
Prospective health insurance payments (future retirements)		173,605,872	
Prospective refunds of member contributions		11,749,590	
Reserve for future pension increases		537,513,325	
Total Actuarial Present Values (Liability)		\$ 8,523,356,468	

SUMMARY OF PLAN PROVISIONS

See Note 1 in the Notes to the Financial Statements.

SUMMARY OF VALUATION METHODS

The **actuarial cost method** used for the valuation was the individual entry age normal cost method.

Normal cost contributions were computed as follows:

The series of contributions, payable from date of employment, sufficient to accumulate at time of retirement the discounted value of each member's projected pension and potential survivors pension was computed, using the assumptions summarized on the following pages, so that each contribution in the series is a constant percentage of the member's year by year projected compensation (entry age normal cost).

Actuarial accrued liability was computed and financed as follows:

- (1) Retirants and beneficiaries. The discounted value of pensions likely to be paid retired members and their potential survivors were computed using the investment return and mortality assumptions. The computed amount was reduced by applicable valuation assets and the unfunded amount, if any, was amortized over an open period of 20 years.
- (2) Active members and former members. The actuarial accrued liability associated with service rendered prior to the valuation date, including experience gains and losses, was computed using the investment return, mortality and other factors outlined on the following pages. The computed amount was reduced by applicable valuation assets and the unfunded amount, if any, was amortized over an open period of 20 years. If valuation assets exceed the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit toward the computed normal cost.

SUMMARY OF VALUATION ASSUMPTIONS

Economic Assumptions

The rate of investment return used was 8.50 percent a year, compounded annually. This assumption was first used for the June 30, 2005 valuations. The assumption consists of 3.5% for assuming maturity and principal risks and 5.00% in recognition of inflation. These components, adopted by the Fund Manager, as recommended by the system's actuary, were revised for the June 30, 2005 annual valuations. This assumption is used to discount the value of future payments.

The rates of salary increase used are in accordance with the following graded table. These assumptions, adopted by the Fund Manager, as recommended by the System's actuary, were first used for the June 30, 2005 valuations. The assumption consists of 5.00% in recognition of inflation, a graded allowance for promotion and longevity, and 1.0% for other across-the-board factors.

Sample Annual Rates of Salary Increase

Age	Across-the-Board	Merit and Longevity	Other	Total
20	5.00%	3.0%	1.0%	9.00%
25	5.00%	3.0	1.0	9.00
30	5.00%	2.6	1.0	8.60
35	5.00%	1.1	1.0	7.10
40	5.00%	0.2	1.0	6.20
45	5.00%	0.2	1.0	6.20
50	5.00%	0.2	1.0	6.20
55	5.00%	0.1	1.0	6.10
60	5.00%	-	1.0	6.00
65	5.00%	-	1.0	6.00

Demographic Assumptions

- ❖ **Non-Disability Mortality rates:** 1971 Group Annuity Mortality Table Projected to 2000 (Male), female ages set back six years (first used for June 30, 1999 valuation).
- ❖ **Disability Mortality Rates:** 1971 Group Annuity Mortality Table Projected to 1984 (Male), female ages set back six years.

Sample Ages	Single Life Retirement Values							
	Non-Disability Table		Disability Table		Non-Disability Table		Disability Table	
	Present Value of \$100 Monthly For Life		Present Value of \$100 Monthly For Life		Future Life Expectancy (Years)		Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women	Men	Women
20	14,452	14,549	14,428	14,531	56.90	62.76	56.03	61.88
25	14,332	14,471	14,300	14,448	52.02	57.87	51.16	57.00
30	14,162	14,360	14,120	14,329	47.16	53.00	46.32	52.13
35	13,923	14,201	13,865	14,161	42.33	48.13	41.50	47.28
40	13,588	13,997	13,510	13,923	37.54	43.30	36.73	42.46
45	13,130	13,664	13,028	13,591	32.84	38.50	32.06	37.68
50	12,549	13,232	12,140	13,135	28.32	33.77	27.57	32.98
55	11,829	12,675	11,674	12,552	24.02	29.21	23.33	28.45
60	10,930	11,986	10,752	11,836	19.94	24.86	19.32	24.16
65	9,835	11,127	9,643	10,952	16.12	20.74	15.59	20.10
70	8,601	10,069	8,412	9,878	12.73	16.86	12.30	16.31
75	7,338	8,853	7,172	8,661	9.86	13.36	9.54	12.92
80	6,043	7,597	5,909	7,425	7.44	10.40	7.22	10.06
85	4,917	6,293	4,826	6,152	5.61	7.87	5.48	7.63
90	3,964	5,126	3,915	5,026	4.24	5.93	4.18	5.79

Termination of Employment: Service-related rates for first five years of employment and age-related rates after first five years of employment. The sample rates are as follows:

Sample Ages	Years of Service	Percent Terminating Within Next Year				Disability			
		Police Officers		Firefighters		Police Officers		Firefighters	
		Low	High	Low	High	Low	High	Low	High
ALL	0	20.00%	25.00%	8.00%	10.00%				
	1	8.50	15.00	3.00	7.00				
	2	3.00	7.50	2.00	4.00				
	3	2.50	7.00	1.00	4.00				
	4	2.00	5.00	0.60	4.00				
25	5 and over	1.00	2.50	0.60	2.50	0.15%	0.15%	0.12%	0.14%
30		1.00	2.50	0.40	2.50	0.16	0.16	0.13	0.14
35		0.95	2.35	0.35	1.70	0.23	0.23	0.18	0.21
40		0.85	2.10	0.30	1.50	0.34	0.34	0.27	0.31
45		0.75	1.85	0.20	1.50	0.52	0.52	0.42	0.47
50		0.65	1.75	0.10	1.50	0.83	0.83	0.66	0.75
55		0.55	1.75	0.10	1.50	1.45	1.45	1.16	1.30
60		0.50	1.75	0.10	1.50	2.00	2.00	1.60	1.80

Rates first used for June 30, 1999 valuation.

Retirement Rates: Age-related rates based on the following schedule:

**Percent of Active Members Retiring within Year
Following Attainment of Indicated Retirement Age**

Service	Percent of Active Members Retiring During Next year			
	Police Low	Police High	Fire Low	Fire High
20	25%	40%	15%	30%
21	10	16	5	10
22	10	16	5	15
23	10	16	5	10
24	5	5	5	10
25	25	40	20	40
26	10	15	15	15
27	10	20	10	20
28	15	30	10	30
29	20	50	10	50
30	10	75	20	75
31	10	75	25	75
32	60	75	60	75
33	75	75	75	75
34	75	75	75	75
35	75	75	75	75
36	75	75	75	75
37	75	75	75	75
38	75	75	75	75
39	75	75	75	75

Active members with at least 40 years of service are assumed to retire within the year. Members who do not acquire 20 years of service prior to age 62 are assumed to retire upon first eligibility following attainment of age 62.

These rates adopted by the Fund Manager, as recommended by the System's actuary, were first used for the June 30, 1999 valuations.

SOLVENCY TEST

SOLVENCY TEST – Testing the financial solvency of a retirement system can be done in several ways. The funding objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the system are level in concept and soundly executed, and if the system continues its present operations pattern for the indefinite future, the system will pay all promised benefits when due—the ultimate test of financial soundness.

A short term solvency test is one means of checking a system's progress under its funding program. In a short term solvency test, the system's present assets (cash and investments) are compared with:

1. Active member contributions on deposit;
2. The liabilities for future benefits to present retired lives;
3. The liabilities for service already rendered by active members.

In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. Generally, if the system has been using level cost financing, the funded portion of liability 3 will increase over time. Liability 3 being fully funded is very rare. All amounts presented are in thousands.

Valuation Date	<u>Aggregate Accrued Liabilities for</u>				<u>Portion of Accrued Liabilities Covered by Net Assets Available for Benefits</u>		
	(1) Active Member Contributions	(2) Retirants And Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets Available for Benefits (2)	(1)	(2)	(3)
	6-30-83 ¹	\$ 90,348	\$ 150,042	\$ 316,842	\$ 519,155	100.0%	100.0%
6-30-84	\$ 101,786	\$ 180,804	\$ 334,779	\$ 599,945	100.0%	100.0%	94.8%
6-30-85	\$ 115,671	\$ 214,203	\$ 376,905	\$ 693,159	100.0%	100.0%	96.4%
6-30-86	\$ 130,489	\$ 248,134	\$ 423,415	\$ 816,882	100.0%	100.0%	100.0%
6-30-87 ¹	\$ 149,457	\$ 276,817	\$ 488,815	\$ 919,931	100.0%	100.0%	100.0%
6-30-88	\$ 169,445	\$ 306,598	\$ 550,208	\$ 1,037,988	100.0%	100.0%	100.0%
6-30-89 ¹	\$ 188,660	\$ 360,069	\$ 607,773	\$ 1,164,003	100.0%	100.0%	100.0%
6-30-90	\$ 206,052	\$ 419,548	\$ 697,181	\$ 1,297,562	100.0%	100.0%	96.4%
6-30-91	\$ 227,287	\$ 471,289	\$ 772,202	\$ 1,432,023	100.0%	100.0%	95.0%
6-30-92	\$ 246,692	\$ 553,619	\$ 805,579	\$ 1,595,739	100.0%	100.0%	98.7%
6-30-93	\$ 256,431	\$ 688,360	\$ 813,955	\$ 1,769,345	100.0%	100.0%	100.0%
6-30-94	\$ 276,375	\$ 763,017	\$ 892,654	\$ 1,945,166	100.0%	100.0%	100.0%
6-30-95	\$ 297,619	\$ 858,965	\$ 961,149	\$ 2,181,351	100.0%	100.0%	100.0%
6-30-96	\$ 321,660	\$ 948,959	\$ 1,057,657	\$ 2,487,953	100.0%	100.0%	100.0%
6-30-97	\$ 344,167	\$ 1,045,721	\$ 1,143,547	\$ 2,915,173	100.0%	100.0%	100.0%
6-30-98	\$ 368,729	\$ 1,140,194	\$ 1,235,075	\$ 3,192,627	100.0%	100.0%	100.0%
6-30-99	\$ 395,991	\$ 1,328,328	\$ 1,357,883	\$ 3,709,251	100.0%	100.0%	100.0%
6-30-00	\$ 418,847	\$ 1,524,355	\$ 1,471,955	\$ 4,260,168	100.0%	100.0%	100.0%
6-30-01	\$ 449,792	\$ 1,722,264	\$ 1,502,702	\$ 4,661,941	100.0%	100.0%	100.0%
6-30-02	\$ 495,565	\$ 1,905,916	\$ 1,742,730	\$ 4,684,386	100.0%	100.0%	100.0%
6-30-03	\$ 543,817	\$ 2,117,512	\$ 2,078,284	\$ 4,435,373	100.0%	100.0%	82.9%
6-30-04	\$ 594,479	\$ 2,323,470	\$ 2,249,383	\$ 4,774,313	100.0%	100.0%	82.5%
6-30-05	\$ 643,712	\$ 2,566,487	\$ 2,741,738	\$ 4,886,963	100.0%	100.0%	61.2%

See notes on page 40.

SUMMARY OF ACTIVE MEMBER DATA

Listed below is a summary of Active Members by age group, years of service and annual compensation. The summary points out that 1,363 active members were eligible for retirement on June 30, 2005, compared to 1,324 for the prior year.

Attained Age	Years of Service to Valuation Date							Totals	
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 Plus	No.	Valuation Payroll*
< 20	3							3	\$ 695,688
20 - 24	693	3						696	\$ 43,600,275
25 - 29	1,858	508	2					2,368	\$ 131,468,132
30 - 34	1,454	1,760	379	1				3,594	\$ 208,605,421
35 - 39	751	1,234	1,214	344	2			3,545	\$ 211,874,253
40 - 44	356	503	779	1,086	268	6		2,998	\$ 193,309,033
45 - 49	140	218	318	580	482	185	3	1,926	\$ 120,431,659
50 - 54	50	69	122	276	165	140	29	851	\$ 48,992,511
55 - 59	28	30	51	95	35	26	13	278	\$ 13,544,182
60 - 69	5	3	14	27	5	3	1	58	\$ 2,341,563
70+								-	
Totals	5,338	4,328	2,879	2,409	957	360	46	16,317	\$ 974,862,717

*Valuation Payroll does not include \$116,605,938 for 1,472 DROP participants

Listed below is a Comparative Schedule of the changes in active members since 6-30-78:

COMPARATIVE SCHEDULE

Fiscal Year Ended	Employer Units	Active Members	Total Payroll (+000)	Averages			
				Age (years)	Service (years)	Pay	Increase in Average Pay
6-30-78	57	6,554	\$ 109,359	34.1	7.9	\$16,686	10.0%
6-30-79	64	6,842	\$ 125,667	34.2	8.0	\$18,367	10.1%
6-30-80	71	7,264	\$ 144,371	34.1	7.9	\$19,875	8.2%
6-30-81	83	7,559	\$ 165,055	34.3	8.1	\$21,836	9.9%
6-30-82	91	7,750	\$ 185,650	34.7	8.3	\$23,955	9.7%
6-30-83	101	7,835	\$ 199,736	35.0	8.6	\$25,493	6.4%
6-30-84	107	8,039	\$ 217,163	35.1	8.8	\$27,014	6.0%
6-30-85	106	8,536	\$ 244,094	35.2	8.7	\$28,596	5.9%
6-30-86	110	8,774	\$ 268,511	35.5	8.9	\$30,603	7.0%
6-30-87	113	9,331	\$ 299,559	35.7	9.0	\$32,104	4.9%
6-30-88	115	9,600	\$ 321,750	36.1	9.4	\$33,516	4.4%
6-30-89	123	9,858	\$ 345,743	36.4	9.7	\$35,072	4.6%
6-30-90	130	10,125	\$ 371,950	36.6	9.8	\$36,736	4.7%
6-30-91	135	10,612	\$ 402,687	36.8	10.0	\$37,946	3.3%
6-30-92	137	10,686	\$ 415,471	37.2	11.3	\$38,880	2.5%
6-30-93	145	10,872	\$ 425,811	37.3	10.3	\$39,166	0.7%
6-30-94	150	11,303	\$ 451,022	37.4	10.4	\$39,903	1.9%
6-30-95	155	11,971	\$ 496,063	37.4	10.3	\$41,439	3.8%
6-30-96	162	12,477	\$ 541,231	37.6	10.3	\$43,378	4.7%
6-30-97	162	13,109	\$ 579,341	37.6	10.3	\$44,194	1.9%
6-30-98	169	13,635	\$ 625,222	37.8	10.3	\$45,854	3.8%
6-30-99	171	14,128	\$ 682,184	37.8	10.3	\$48,286	5.3%
6-30-00	181	14,886	\$ 751,280	37.7	10.0	\$50,469	4.5%
6-30-01	187	15,473	\$ 826,740	37.2	10.0	\$53,431	5.9%
6-30-02	194	15,557	\$ 854,249	36.9	9.4	\$54,911	2.8%
6-30-03	195	15,530	\$ 881,285	37.0	9.5	\$56,747	3.3%
6-30-04	199	15,852	\$ 911,718	37.1	9.5	\$57,514	1.4%
6-30-05	210	16,317	\$ 974,863	37.6	9.5	\$59,745	3.9%

SUMMARY OF INACTIVE MEMBER DATA
SCHEDULE OF RETIRANTS AND BENEFICIARIES

INACTIVE MEMBERS

Attained Age	Years of Service to Valuation Date					Totals
	0 - 4	5 - 9	10 - 14	15 - 19	20+	
20 - 29	138	12				150
30 - 39	182	44	13	2		241
40 - 44	30	20	15	10		75
45 - 49	16	7	9	5	1	38
50 - 54	7		9	5	1	22
55 - 59	5	3	9	1		18
60 - 69	1		5			6
70+						0
Totals	379	86	60	23	2	550

RETIRANTS AND BENEFICIARIES

Valuation Date	Number Removed From Roles	Number Added to Roles	Totals	Annual Allowances Removed From Roles*	Annual Allowances Added to Roles*	Annual Pensions	Percent Increase	Average Pension
06/30/92			3,184			\$ 56,057,423	14.2%	\$17,606
06/30/93			3,674			\$ 69,708,702	24.4%	\$19,182
06/30/94	30	141	3,785			\$ 77,548,220	11.2%	\$20,707
06/30/95	61	275	3,999			\$ 85,544,670	10.3%	\$21,608
06/30/96	67	318	4,250			\$ 94,897,897	10.9%	\$22,541
06/30/97	81	311	4,480			\$ 104,374,026	10.0%	\$23,508
06/30/98	75	335	4,740			\$ 115,542,977	10.7%	\$24,584
06/30/99	73	423	5,090			\$ 132,364,761	14.6%	\$26,211
06/30/00	84	436	5,442			\$ 152,227,372	15.0%	\$27,973
06/30/01	89	429	5,782			\$ 170,281,580	11.9%	\$29,450
06/30/02	91	298	5,989			\$ 184,212,972	8.2%	\$30,759
06/30/03	104	299	6,184			\$ 207,616,176	12.7%	\$33,573
06/30/04**	119	331	6,396	\$ 5,951,348	\$ 22,497,533	\$ 224,162,361	8.0%	\$35,047
06/30/05**	103	395	6,688	\$ 3,095,916	\$ 23,228,295	\$ 244,294,740	9.0%	\$36,527

*Effective June 30, 2004, started reporting the annual allowances removed from roles and annual allowances added to roles. This information was not available prior to the effective date.

** Includes COLA

SCHEDULE OF EXPERIENCE GAIN/(LOSS)

YEAR ENDED JUNE 30, 2005

	Year Ended June 30				
	(\$ Thousands)				
	2005	2004	2003	2002	2001
(1) UAAL at start of year*	393,020	(41,764)	(540,175)	(987,183)	-
(2) Normal cost	175,547	170,796	164,570	155,923	139,061
(3) Funding method contributions	(180,607)	(150,874)	(118,738)	(114,470)	(108,936)
(4) Interest accrual	34,168	(2,862)	(39,148)	(86,981)	(74,695)
(5) Expected UAAL before changes	422,128	(24,704)	(533,491)	(1,032,711)	(889,581)
(6) Change from amendments***	none	none	none	63,700	66,000
(7) Change from assumption revision	134,252	100,000	(346,003)	none	none
(8) Expected UAAL after changes	556,380	75,296	(879,494)	(969,011)	(823,591)
(9) Actual UAAL	1,064,974	393,020	(41,764)	(540,175)	(987,183)
(10) Gain(+)/Loss(-) (8)-(9)	(508,594)	(317,724)	(837,730)	(428,836)	163,592
(11) Percent of actuarial accrued liability**	9.8%	6.7%	20.2%	11.7%	4.8%

* Unfunded Actuarial Accrued Liability

** Actuarial Accrued Liability

*** Estimated

STATISTICAL SECTION

THIRTY-SEVENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Schedule of Revenues by Source and Expenses by Type

Schedule of Benefit Expenses by Type

Summary of Retired Member and Survivor Data

Summary of Benefit Increases

Participating Employers

Schedule of Changes in Employer Reserves – Year Ended June 30, 2005,
and Unfunded Accrued Normal Costs at June 30, 2004

Schedule of Changes in Refundable Member Reserves
Fiscal Year Ended June 30, 2005

Earnings Distribution, Fiscal Year Ended June 30, 2005

Summary of Growth of the System

SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE

FYE	Employer Contributions*						
	Member ** Contributions	Direct Payments	Insurance Premium Tax	Percent of Annual Covered Payroll	Net Investment Income	Amounts Transferred From Other Plans	Total
1996	\$39,500,494 13%	\$37,734,258 12%	\$8,635,684 3%	7.85%	\$390,660,701 72%	\$2,543,910 1%	\$479,075,047 100%
1997	\$39,788,668 6%	\$42,760,823 6%	\$9,709,146 1%	8.11%	\$644,116,823 87%	\$1,120,794 0%	\$737,496,254 100%
1998	\$43,094,843 5%	\$38,287,697 5%	\$7,033,235 1%	6.36%	\$750,793,356 89%	\$1,185,939 0%	\$840,395,070 100%
1999	\$50,791,850 6%	\$36,512,536 5%	\$7,871,808 1%	5.82%	\$723,369,908 88%	\$1,652,788 0%	\$820,198,890 100%
2000	\$51,610,481 7%	\$38,645,798 6%	\$8,245,094 1%	5.29%	\$588,132,626 86%	\$1,793,291 0%	\$688,427,290 100%
2001	\$56,816,734 -7%	\$45,435,300 -6%	\$7,105,010 -1%	5.21%	(\$895,995,528) 114%	\$2,110,704 0%	(\$784,527,780) 100%
2002	\$59,503,252 -11%	\$44,518,693 -8%	\$7,464,714 -1%	4.21%	(\$654,569,820) 123%	\$9,396,119 -2%	(\$533,687,042) 100%
2003	\$62,058,631 18%	\$40,047,132 11%	\$10,753,537 3%	3.75%	\$233,424,569 66%	\$7,272,432 2%	\$353,556,301 100%
2004	\$63,978,505 9%	\$68,058,390 10%	\$10,941,740 2%	7.66%	\$562,613,259 79%	\$9,177,386 1%	\$714,769,280 100%
2005	\$67,947,506 12%	\$92,778,813 16%	\$11,718,337 2%	10.05%	\$383,530,412 68%	\$9,156,465 2%	\$565,131,533 100%

FYE	EXPENSES				
	Benefits	Administrative Expenses	Refunds	Amounts Transferred To Other Plans	Total
1996	\$92,851,755 97%	\$508,498 1%	\$2,251,458 2%	\$1,081 0%	\$95,612,792 100%
1997	\$102,404,128 97%	\$540,899 1%	\$2,866,764 3%	\$237,792 0%	\$106,049,583 100%
1998	\$112,374,125 97%	\$607,518 1%	\$3,020,135 3%	\$185,247 0%	\$116,187,025 100%
1999	\$125,879,371 97%	\$624,710 0%	\$3,317,624 3%	\$92,023 0%	\$129,913,728 100%
2000	\$145,302,173 96%	\$616,109 0%	\$5,313,595 4%	\$293,862 0%	\$151,525,739 100%
2001	\$164,727,744 96%	\$679,372 0%	\$6,051,785 4%	\$501,851 0%	\$171,960,752 100%
2002	\$185,035,202 96%	\$735,241 0%	\$6,057,924 3%	\$228,610 0%	\$192,056,977 100%
2003	\$209,715,238 96%	\$812,332 0%	\$6,422,965 3%	\$385,905 0%	\$217,336,440 100%
2004	\$229,885,444 97%	\$1,099,932 0%	\$6,390,643 3%	\$196,287 0%	\$237,572,305 100%
2005	\$257,449,083 96%	\$1,599,784 1%	\$7,647,443 3%	\$128,407 0%	\$266,824,717 100%

NOTE: *Contributions were made in accordance with actuarially determined contribution requirements. The Employer contributions reported above are equal to the annual required contributions.

**The member contribution rate was 8% until fiscal year 1992 when it was reduced to 7.65% of covered payroll. Some employers have elected to pick up part of the member contributions.

SCHEDULE OF BENEFIT EXPENSES BY TYPE

Fiscal Year	Normal Benefits	Disability Benefits	Survivor Benefits	Insurance Benefits	Deferred Benefits*	DROP Benefits	Totals
1987	\$22,180,419 82%	\$2,588,194 10%	\$2,259,776 8%	-	-	-	\$27,028,389 100%
1988	\$24,445,979 82%	\$2,731,143 9%	\$2,563,086 9%	-	-	-	\$29,740,208 100%
1989	\$27,706,016 81%	\$3,018,943 9%	\$3,085,000 9%	\$292,628 1%	-	-	\$34,102,587 100%
1990	\$33,823,643 80%	\$3,644,963 9%	\$3,679,641 9%	\$876,734 2%	-	-	\$42,024,981 100%
1991	\$38,029,200 80%	\$4,329,314 9%	\$4,250,266 9%	\$1,145,054 2%	-	-	\$47,753,834 100%
1992	\$43,171,260 80%	\$4,860,391 9%	\$4,736,125 9%	\$1,300,328 2%	-	-	\$54,068,104 100%
1993	\$52,846,300 80%	\$6,009,143 9%	\$5,352,177 8%	\$1,580,017 3%	-	-	\$65,787,637 100%
1994	\$59,780,201 80%	\$7,068,362 10%	\$5,872,280 8%	\$1,791,165 2%	-	-	\$74,512,008 100%
1995	\$66,599,816 79%	\$8,246,615 10%	\$6,540,242 8%	\$2,605,602 3%	-	-	\$83,992,275 100%
1996	\$73,343,074 79%	\$9,359,298 10%	\$7,205,537 8%	\$2,943,846 3%	-	-	\$92,851,755 100%
1997	\$80,218,238 78%	\$10,871,547 11%	\$8,079,674 8%	\$3,194,484 3%	\$40,185 0%	-	\$102,404,128 100%
1998	\$87,427,946 78%	\$12,460,407 11%	\$8,853,712 8%	\$3,600,786 3%	\$31,274 0%	-	\$112,374,125 100%
1999	\$97,398,707 77%	\$14,628,479 12%	\$9,883,152 8%	\$3,934,962 3%	\$34,071 0%	-	\$125,879,371 100%
2000	\$111,641,295 77%	\$17,061,548 12%	\$12,187,246 8%	\$4,365,887 3%	\$46,197 0%	-	\$145,302,173 100%
2001	\$126,279,381 77%	\$19,543,264 12%	\$14,049,906 8%	\$4,801,247 3%	\$53,946 0%	-	\$164,727,744 100%
2002	\$137,556,909 74%	\$21,914,529 12%	\$15,342,508 7%	\$9,715,347 5%	\$70,335 0%	\$435,573 1%	\$185,035,202 100%
2003	\$151,170,457 72%	\$24,102,353 11%	\$20,135,779 9%	\$11,196,923 5%	\$81,550 0%	\$3,028,175 2%	\$209,715,238 100%
2004	\$163,080,132 71%	\$23,431,361 10%	\$26,321,345 10%	\$10,774,433 5%	\$102,458 0%	\$6,175,715 4%	\$229,885,444 100%
2005	\$176,394,304 69%	\$28,883,283 11%	\$25,357,132 9%	\$11,417,919 4%	\$131,285 0%	\$15,265,160 7%	\$257,449,083 100%

*Note: Prior to 1997 information related to deferred benefits was not available.

SUMMARY OF RETIRED MEMBER AND SURVIVOR DATA

The following summary presents an analysis of the benefit changes that have taken place during the past 20 years. The number of retired members and the amount of annual pensions has increased at compounded annual rates of 4.2% and 9.9% over the last five years.

COMPARATIVE SCHEDULE

Year Ended June 30	Retired				Annual Pensions	Average Pension	Ratio of Active to Retired
	Normal	Disability	Survivors	Totals			
1986	1,513	248	335	2,096	\$25,526,417	\$12,179	4.2 to 1
1987	1,612	258	350	2,220	\$28,531,465	\$12,852	4.2 to 1
1988	1,709	264	371	2,344	\$31,608,067	\$13,485	4.1 to 1
1989	1,839	280	410	2,529	\$36,286,530	\$14,348	3.9 to 1
1990	2,003	322	446	2,771	\$43,514,479	\$15,704	3.7 to 1
1991	2,134	349	486	2,969	\$49,103,054	\$16,539	3.6 to 1
1992	2,314	363	507	3,184	\$56,057,423	\$17,606	3.4 to 1
1993	2,697	417	520	3,634	\$69,708,702	\$19,182	3.0 to 1
1994	2,756	436	553	3,745	\$77,548,220	\$20,707	3.0 to 1
1995	2,914	471	574	3,959	\$85,544,676	\$21,608	3.0 to 1
1996	3,082	527	601	4,210	\$94,897,897	\$22,541	3.0 to 1
1997	3,240	573	627	4,440	\$104,374,026	\$23,508	3.0 to 1
1998	3,415	626	659	4,700	\$115,542,977	\$24,584	2.9 to 1
1999	3,655	694	701	5,050	\$132,364,761	\$26,211	2.8 to 1
2000	3,938	763	741	5,442	\$152,227,372	\$27,973	2.7 to 1
2001	4,182	826	774	5,782	\$170,281,580	\$29,450	2.7 to 1
2002	4,315	872	802	5,989	\$184,212,972	\$30,759	2.6 to 1
2003	4,419	912	853	6,184	\$207,616,176	\$33,573	2.5 to 1
2004	4,563	942	891	6,396	\$224,162,361	\$35,047	2.5 to 1
2005	4,733	1,012	943	6,688	\$244,294,740	\$36,527	2.5 to 1

Set forth below is a summary of pensions being paid to retired members and survivors:

SUMMARY OF RETIRED MEMBERS AND SURVIVORS - JUNE 30, 2005

Pensions Being Paid*	Number	Annual Pensions	Average Pensions
Retired Members - Service Pensions	4,733	\$ 185,905,992	\$ 39,279
- Disability Pensions	1012	\$ 31,278,348	\$ 30,907
Totals	5,745	\$ 217,184,340	\$ 37,804
Survivors of Members - Spouses	895	\$ 26,461,104	\$ 29,565
- Children with Guardians**	48	\$ 649,296	\$ 13,527
Totals	943	\$ 27,110,400	\$ 28,749
Total Pensions Being Paid	6,688	\$ 244,294,740	\$ 36,527

* Does not include DROP participants totaling 1,472 with annual pensions of \$73,476,813

** Does not include pensions payable to children whose parent is being paid a survivor pension.

	Average Age	Average Service (yrs)	Average Age at Retirement (yrs)
Normal retired members	61.4	23.2	49.8
Disability retired members	53.9	14.2	43.2
Spouse beneficiaries	65.3	18.3	44.1
DROP Participants	53.3	25.6	51.1

SUMMARY OF BENEFIT INCREASES

State law provides for an annual benefit increase for retirees or their survivors who are over age fifty-five on the effective day of the increase and for disability retirees regardless of age. These increases are dependent upon the production of excess earnings on part of the assets of the Fund and are limited to four percent of the average benefit being paid to retirees and their survivors. The following schedule summarizes the statutorily-designed process of calculating the monthly benefit increases effective each July 1st.

BENEFIT INCREASE SCHEDULE

Fiscal Year Ended	Excess Yield per Statute*	Excess Earnings Assets**	Excess Earnings	Monthly Benefit Increase Fundable	Maximum per Statutory 4% Cap	Lesser of Two - Increase Awarded
06/30/85	2.85%	\$ 214,202,673	\$ 6,104,776			
		Investment earnings on balance	902,896 **			
		Amount utilized:	7-1-86 increase (4,482,398)	\$50.00	\$36.17	\$36.17
06/30/86	5.79%	\$ 248,133,744	\$ 14,366,944			
		Amount available:	7-1-87 increase 16,892,218	\$120.00 **	\$38.59	\$38.59
		Investment earnings on balance	1,859,833			
06/30/87	2.01%	\$ 276,817,044	\$ 5,564,023			
		Amount available:	7-1-88 increase 19,130,410	\$110.00 **	\$42.84	\$42.84
		Investment earnings on balance	2,027,823			
06/30/88	1.60%	\$ 306,597,600	\$ 4,905,562			
		Amount available:	7-1-89 increase 19,744,395	\$95.00 **	\$44.95	\$44.95
		Investment earnings on balance	1,986,286			
06/30/89	1.06%	\$ 360,069,033	\$ 3,816,732			
		Amount available:	7-1-90 increase 18,311,325	\$55.00 **	\$47.83	\$47.83
		Investment earnings on balance	1,919,027			
06/30/90	1.48%	\$ 430,743,103	\$ 6,374,998			
		Amount available:	7-1-91 increase 18,969,462	\$75.00 **	\$52.35	\$52.35
		Investment earnings on balance	1,940,576			
06/30/91	1.23%	\$ 484,159,254	\$ 5,955,159			
		Amount available:	7-1-92 increase 16,652,249	\$70.00	\$55.13	\$55.13
		Investment earnings on balance	1,815,095			
06/30/92	1.90%	\$ 757,998,498	\$ 14,401,971			
		Amount available:	7-1-93 increase 20,884,358	\$80.00	\$58.69	\$58.69
		Investment earnings on balance	2,234,626			
06/30/93	1.70%	\$ 842,142,928	\$ 14,316,430			
		Amount available:	7-1-94 increase 24,372,346	\$90.00	\$63.94	\$63.94
		Investment earnings on balance	2,278,814			
06/30/94	0.35%	\$ 926,038,066	\$ 3,241,133			
		Amount available:	7-1-95 increase 14,013,869	\$45.00	\$69.02	\$45.00
		Investment earnings on balance	1,433,619			
06/30/95	1.23%	\$ 1,019,971,216	\$ 12,545,646			
		Amount available:	7-1-96 increase 15,900,854	\$50.00	\$72.03	\$50.00
		Investment earnings on balance	1,677,540			
	Amount utilized:	7-1-96 increase (15,055,224)				

BENEFIT INCREASE SCHEDULE

Fiscal Year Ended	Excess Yield per Statute*	Excess Earnings Assets**	Excess Earnings	Monthly Benefit Increase Fundable	Maximum per Statutory 4% Cap	Lesser of Two - Increase Awarded
06/30/96	1.55%	\$ 1,121,106,488	\$ 17,377,151			
	Amount available:	7-1-97 increase	19,900,321	\$55.00	\$75.14	\$55.00
	Investment earnings on balance		2,202,966			
	Amount utilized:	7-1-97 increase	(17,529,672)			
06/30/97	2.07%	\$ 1,545,766,186	\$ 31,997,360			
	Amount available:	7-1-98 increase	36,570,975	\$80.00	\$78.36	\$78.36
	Investment earnings on balance		8,129,728			
	Amount utilized:	7-1-98 increase	(26,935,849)			
Prior Excess Earnings Transferred per HB 2496***			256,823,185			
06/30/98	13.23%	\$ 1,876,344,607	\$ 248,240,392			
	Amount available:	7-1-99 increase	522,828,431	\$1,335.00	\$81.95	\$81.95
	Investment earnings on balance		92,540,632			
	Amount utilized:	7-1-99 increase	(42,154,215)			
06/30/99	8.70%	\$ 1,986,262,497	\$ 172,804,837			
	Amount available:	7-1-00 increase	746,019,685	\$1,375.00	\$87.37	\$87.37
	Investment earnings on balance		91,835,023			
	Amount utilized:	7-1-00 increase	(47,369,499)			
06/30/00	3.31%	\$ 2,182,040,163	\$ 72,225,529			
	Amount available:	7-1-01 increase	862,440,738	\$1,490.00	\$93.24	\$93.24
	Investment earnings on balance		(145,364,386)			
	Amount utilized:	7-1-01 increase	(54,178,336)			
06/30/01	0.00%	\$ 2,018,932,892	\$ -			
	Amount available:	7-1-02 increase	662,898,016	\$1,070.00	\$98.17	\$98.17
	Investment earnings on balance		(98,838,094)			
	Amount utilized:	7-1-02 increase	(61,603,276)			
06/30/02	0.00%	\$ 1,698,146,115	\$ -			
	Amount available:	7-1-03 increase	502,456,646	\$750.00	\$102.53	\$102.53
	Investment earnings on balance		33,664,595			
	Amount utilized:	7-1-03 increase	(67,995,889)			
06/30/03	0.00%	\$ 1,630,985,760	\$ -			
	Amount available:	7-1-04 increase	468,125,352	\$665.00	\$111.90	\$111.90
	Investment earnings on balance		70,064,321			
	Amount utilized:	7-1-04 increase	(77,066,484)			
06/30/04	5.97%	\$ 1,801,505,617	\$ 107,495,840			
	Amount available:	7-1-05 increase	568,619,029	\$765.00	\$116.82	\$116.82
	Investment earnings on balance		51,818,252			
	Amount utilized:	7-1-05 increase	(85,121,958)			
06/30/05	0.11%	\$ 1,945,134,726	\$ 2,198,002			
	Amount available:	7-1-06 increase	537,513,325	\$690.00	\$121.76	\$121.76

*Net effective yield less actuarial yield per statute of 9%. Beginning 06/30/98, total return less actuarial yield per statute of 9%.

**In 1989 Senate Bill 1129 was signed into law and became effective September 15, 1989. This bill required future earnings on the excess account to be added back to the excess earnings account. In 1990 House Bill 2495 was signed into law and was effective August 15, 1990. This bill required earnings on the excess earnings account between June 30, 1986, and September 15, 1989, be added to the excess earnings account. The Monthly Benefit Increase Fundable Amount prior to 7-1-91 has not been recalculated to reflect the effects of this retroactive legislation.

***Amount equal to retired reserves until 6-30-92 when the assets to be used was changed to one-half of the average net total assets as published in the annual report (market value was used beginning 6/30/97).

PARTICIPATING EMPLOYERS

AK Chin Indian Comm. Fire
AK Chin Indian Comm. Police
Apache County Sheriffs
Apache Junction Fire District
Apache Junction Police
Arizona State Parks
Arizona State University Campus Police
Avondale Fire
Avondale Police
Avra Valley Fire District
AZ State Attorney General
AZ State Capitol Police
Benson Police
Bisbee Fire
Bisbee Police
Buckeye Fire
Buckeye Police
Black Canyon Fire District
Buckeye Valley Fire District
Buckskin Fire
Bullhead City Fire
Bullhead City Police
Camp Verde Fire
Camp Verde Marshals
Carefree Town Marshals
Casa Grande Fire
Casa Grande Police
Central Yavapai Fire
Chandler Fire
Chandler Police
Chino Valley Fire
Chino Valley Police
Clarkdale Police
Clifton Fire
Clifton Police
Cochise County Sheriffs
Coconino County Sheriffs
Coolidge Police
Cottonwood Fire
Cottonwood Police
Daisy Mountain Fire District
Department of Emergency and Military Affairs
Department of Game & Fish
Department of Public Safety
Department of Liquor License and Control
Diamond Star Fire
Douglas Fire
Douglas Police
Drexel Heights Fire
Eager Police
El Mirage Fire
El Mirage Police
Eloy Fire District
Eloy Police
Flagstaff Fire
Flagstaff Police
Florence Fire
Florence Police
Fort McDowell Fire
Fort McDowell Police
Fort Mohave Mesa Fire
Fort Mohave Tribal Police
Fountain Hills Marshals
Fredonia Marshals
Fry Fire
Gila County Sherriffs
Gila River Fire
Gila River Police
Gilbert Fire
Gilbert Police
Glendale Fire
Glendale Police
Globe Fire
Globe Police
Golden Valley Fire District
Golder Ranch Fire District
Goodyear Fire
Goodyear Police
Graham County Attorney Investigators
Graham County Sheriffs
Greenlee County Attorney Investigators
Greenlee County Sheriffs
Green Valley Fire
Guadalupe Fire
Guadalupe Police
Hayden Police
Heber-Overgaard Fire
Highland Fire
Holbrook Police
Hualapai Indian Tribe Police
Hualapai Valley Fire
Jerome Police
Kearny Police
Kingman Fire
Kingman Police
La Paz County Attorney Investigators
La Paz County Sheriffs
Lake Havasu Fire
Lake Havasu Police
Lakeside Fire
Linden Fire
Mammoth Police
Marana Police
Maricopa County Attorney Investigators
Maricopa County Park Rangers
Maricopa County Sheriffs
Mayer Fire District
Mesa Fire
Mesa Police
Miami Fire
Miami Police
Mohave County Sheriffs
Mohave Valley Fire
Montezuma-Rimrock Fire
Northern Arizona University Campus Police
Navajo County Attorney Investigators

PARTICIPATING EMPLOYERS

Navajo County Sheriffs
Nogales Fire
Nogales Police
Northwest Fire District
Oro Valley Police
Page Fire
Page Police
Paradise Valley Police
Parker Police
Pascua Yaqui Tribal Fire
Pascua Yaqui Tribal Police
Patagonia Marshals
Payson Fire
Payson Police
Peoria Fire
Peoria Police
Phoenix Fire
Phoenix Police
Picture Rock Fire District
Pima County Attorney Investigators
Pima County Community College Police
Pima County Sheriffs
Pima Police
Pinal County Sheriffs
Pine-Strawberry Fire
Pinetop Fire
Pinetop-Lakeside Police
Pinewood Fire
Prescott Fire
Prescott Police
Prescott Valley Police
Quartzsite Fire
Quartzsite Marshals
Rincon Valley Fire
Rio Rico Fire
Rio Verde Fire
Safford Police
Sahuarita Police
Salt River Pima-Maricopa Fire
Salt River Pima-Maricopa Police
San Luis Fire
San Luis Police
Santa Cruz County Sheriff's
Scottsdale Fire
Scottsdale Police
Sedona Fire District
Sedona Police
Showlow Fire
Showlow Police
Sierra Vista Fire
Sierra Vista Police
Snowflake Police
Somerton Fire
Somerton Police
South Tucson Fire
South Tucson Police
Springerville Police
St. Johns Police
Summitt Fire District
Sun City Fire District
Sun City West Fire District
Sun Lakes Fire District
Superior Police
Surprise Fire
Surprise Police
Tempe Fire
Tempe Police
Thatcher Police
Three Points Fire
Tolleson Fire
Tolleson Police
Tombstone Marshal's
Tonopah Fire
Town of Superior Fire
Town of Wickenburg Fire
Tri-City Fire
Tubac Fire District
Tucson Airport Authority Fire
Tucson Airport Authority Police
Tucson Fire
Tucson Police
University of Arizona Campus Police
Verde Valley Fire District
Wellton Police
Wickenburg Police
Wilcox Police
Williams Police
Winslow Fire
Winslow Police
Yavapai County Attorney Investigators
Yavapai County Sheriffs
Youngtown Police
Yuma County Sheriffs
Yuma Fire
Yuma Police

SCHEDULE OF CHANGES IN EMPLOYER RESERVES - YEAR ENDED JUNE 30, 2005
AND UNFUNDED ACCRUED NORMAL COSTS AT JUNE 30, 2004

Sys No.	System	Balance June 30, 2004 (at cost)	Reserve Transfers	Contributions Received	Insurance Prem. Tax Received	Pension Payment	DROP Payment	Enhanced Refunds	Distribution of Earnings (at cost)	Balance June 30, 2005 (at cost)	Unfunded Accrued Normal Costs June 30, 2004
001	Blsbee Fire	2,293,467.85	41,199.62	163,096.82	0.00	(424,508.94)	0.00	0.00	195,885.90	2,269,141.25	2,053,331.00
002	Casa Grande Fire	4,648,181.09	77,713.82	194,727.24	58,918.67	(554,029.19)	0.00	0.00	409,080.37	4,834,592.00	1,356,658.00
003	Casa Grande Police	7,605,642.76	274,227.32	397,049.04	0.00	(820,413.51)	0.00	(15,632.23)	704,724.54	8,145,597.92	2,418,335.00
004	Chandler Fire	20,362,219.39	166,636.88	145,967.31	767,977.98	(681,295.14)	(85,113.36)	0.00	2,060,673.71	22,737,066.77	(1,073,494.00)
005	Chandler Police	27,908,745.39	125,729.24	1,670,855.90	0.00	(1,730,995.63)	(77,822.69)	(39,789.93)	2,853,903.22	30,710,625.50	5,421,846.00
006	Clifton Fire	350,122.79	0.00	0.00	1,817.58	(24,076.68)	0.00	0.00	28,222.16	356,085.85	(175,063.00)
007	Dept. of Public Safety	355,854,790.66	1,064,747.45	4,691,396.39	0.00	(33,350,680.80)	(1,321,426.93)	(93,525.38)	26,677,419.48	353,522,720.87	30,114,582.00
008	Douglas Fire	3,758,451.57	107,675.86	157,325.34	14,235.25	(525,713.92)	(38,696.89)	0.00	306,714.93	3,779,992.14	1,476,928.00
009	Douglas Police	4,396,732.19	190,369.93	128,172.06	0.00	(463,093.81)	0.00	(6,314.72)	381,166.15	4,627,031.80	759,035.00
010	Flagstaff Fire	21,260,156.14	94,791.29	209,685.02	191,113.13	(1,594,866.10)	(62,112.50)	0.00	1,819,715.10	21,918,482.08	1,506,612.00
011	Flagstaff Police	14,964,612.43	(111,369.83)	598,121.79	0.00	(1,565,357.05)	0.00	(28,947.26)	1,268,321.06	15,125,381.14	3,982,564.00
012	Glendale Fire	35,396,491.57	(109,675.22)	385,504.99	509,054.05	(1,902,839.63)	(176,784.65)	0.00	3,177,410.29	37,279,161.40	(1,834,069.00)
013	Glendale Police	43,545,535.61	378,408.27	2,172,184.51	0.00	(4,197,504.24)	(397,595.64)	(22,159.37)	4,025,438.56	45,504,307.70	14,049,586.00
014	Globe Fire	1,918,264.89	111,811.91	53,319.11	10,997.58	(243,732.11)	0.00	0.00	168,176.92	2,018,838.30	392,958.00
015	Kingman Fire	4,217,420.78	168,159.76	232,818.45	77,085.89	(242,354.04)	(80,380.25)	0.00	439,269.16	4,812,019.75	548,762.00
016	Maricopa Cnty Sheriff	110,349,534.20	448,689.53	3,523,430.08	0.00	(10,540,764.77)	(292,398.66)	(79,883.91)	9,449,778.85	112,858,385.32	15,660,026.00
017	Mesa Fire	84,841,408.97	(208,598.19)	1,271,147.77	1,167,133.55	(4,371,181.01)	(150,993.58)	(4,135.67)	7,734,435.45	90,279,217.29	(1,718,263.00)
018	Mesa Police	123,971,491.55	1,058,600.69	4,995,079.07	0.00	(8,794,098.88)	(123,880.95)	(238,470.01)	11,417,754.12	132,286,475.59	3,785,489.00
019	Miami Fire	260,412.96	0.00	0.00	0.00	(23,419.32)	0.00	0.00	18,211.48	255,204.82	(135,953.00)
020	Nogales Fire	3,521,775.61	0.00	176,594.25	37,956.91	(399,062.77)	0.00	(36,503.80)	322,629.50	3,623,389.70	1,325,463.00
021	Phoenix Fire	399,892,838.72	2,628,602.31	5,809,290.07	4,046,060.57	(25,541,009.86)	(3,459,467.20)	(43,965.71)	35,024,064.59	418,356,413.49	38,648,529.00
022	Phoenix Police	689,333,676.28	4,546,276.87	19,066,664.98	0.00	(53,958,037.33)	(4,134,938.32)	(355,289.14)	59,233,226.38	713,731,579.72	102,757,873.00
023	Prescott Fire	11,596,640.93	168,431.62	252,031.15	181,005.88	(1,118,427.45)	0.00	0.00	1,017,897.85	12,097,579.98	3,599,341.00
024	Prescott Police	7,998,826.40	180,099.45	558,342.64	0.00	(1,214,174.83)	(82,890.09)	0.00	716,621.13	8,156,824.70	5,725,998.00
025	Scottsdale Police	61,834,730.60	689,392.43	2,111,422.66	0.00	(4,839,700.28)	(263,045.91)	(161,328.85)	5,504,797.36	64,876,268.01	3,742,203.00
026	Sierra Vista Fire	5,938,144.68	53,143.22	0.00	78,821.69	(280,370.19)	0.00	(11,401.60)	546,975.04	6,325,312.84	(2,898,876.00)
027	Tempe Fire	45,156,348.19	255,850.89	344,476.59	609,508.89	(2,956,309.57)	(300,490.91)	0.00	3,788,408.86	46,897,792.94	652,422.00
028	Tempe Police	51,029,783.84	728,256.54	2,211,358.99	0.00	(4,800,409.75)	(610,550.05)	(93,727.22)	4,602,776.41	53,067,488.76	17,062,326.00
029	Tucson Fire	152,617,045.14	933,402.04	3,487,874.54	1,133,515.91	(13,531,829.81)	(1,216,755.76)	0.00	12,545,735.77	155,968,987.83	24,475,420.00
030	Tucson Police	217,483,158.52	2,196,735.89	7,141,031.22	0.00	(18,549,697.64)	(592,193.92)	(131,010.31)	18,069,622.44	225,617,646.20	36,098,634.00
031	Winslow Fire	2,870,389.97	0.00	5,488.55	9,310.18	(28,907.20)	0.00	0.00	226,738.06	3,083,019.56	(2,736,374.00)
032	Yuma Fire	19,044,897.29	80,611.97	624,468.37	180,062.25	(2,316,604.72)	(13,100.21)	(62,133.59)	1,604,461.22	19,142,662.58	5,360,019.00
033	Yuma Police	24,480,231.70	362,727.13	547,043.28	0.00	(1,959,736.60)	(124,737.89)	(3,695.19)	2,118,623.78	25,420,456.21	(1,164,704.00)
034	Yuma Cnty Sheriff	7,855,537.05	62,659.01	367,815.85	0.00	(975,257.54)	0.00	0.00	662,555.38	7,973,309.75	1,303,398.00
035	Game & Fish	28,196,183.92	335,408.92	814,007.64	0.00	(3,890,797.22)	(134,232.93)	0.00	2,313,201.34	27,633,771.67	15,174,471.00
036	Sierra Vista Police	8,052,854.24	(22,308.18)	279,212.67	0.00	(806,074.36)	0.00	(45,301.10)	693,852.18	8,152,235.45	2,046,453.00
037	Benson Police	900,556.75	10,615.19	33,028.54	0.00	(89,460.00)	0.00	(3,161.62)	81,389.18	932,968.04	155,573.00
038	Bisbee Police	1,466,932.63	0.00	148,060.89	0.00	(314,612.47)	0.00	0.00	129,758.70	1,430,139.75	1,879,348.00
039	Pima Cnty Sheriff	92,065,777.59	525,815.01	3,324,643.48	0.00	(8,610,634.52)	(131,273.71)	(21,012.91)	7,246,619.99	94,399,934.93	12,629,672.00
040	Kingman Police	5,213,540.49	219,865.72	275,731.80	0.00	(528,746.13)	0.00	(31,523.97)	477,881.98	5,626,749.89	1,350,456.00
041	A.S.U. Campus PD	8,191,942.46	(12,872.30)	98,166.96	0.00	(694,538.09)	0.00	0.00	688,999.05	8,271,698.08	(837,119.00)
042	Lake Havasu Fire	12,866,485.14	69,562.92	10,191.04	214,402.44	(569,862.20)	(57,120.30)	0.00	1,160,521.64	13,694,180.68	(99,494.00)
043	Mohave Cnty Sheriff	8,974,263.09	(235,125.64)	292,708.29	0.00	(714,382.50)	(150,910.06)	(43,362.89)	775,010.53	8,898,200.82	179,937.00
044	Bullhead City Fire	8,067,235.68	0.00	136,403.91	88,536.39	(279,168.19)	0.00	(39,959.81)	728,375.45	8,701,423.43	(1,292,657.00)
045	U of A Campus PD	4,870,695.47	13,258.75	212,163.33	0.00	(614,838.97)	0.00	(36,498.25)	424,979.70	4,869,760.03	1,686,030.00
046	Cochise Cnty Sheriff	7,917,220.07	(6,172.49)	502,942.10	0.00	(1,164,579.13)	0.00	0.00	689,327.63	7,938,738.18	4,201,165.00
047	Safford Police	2,011,953.48	45,557.98	150,878.17	0.00	(296,706.27)	(55,646.27)	0.00	175,135.05	2,031,172.14	940,357.00
049	Drexel Heights Fire	3,386,100.23	(76,854.18)	185,942.14	67,529.36	(24,423.12)	0.00	0.00	374,388.98	3,912,683.41	(738,319.00)
050	Winslow Police	2,311,818.11	(12,821.39)	68,270.61	0.00	(221,321.76)	0.00	(7,780.10)	195,897.23	2,334,062.70	(28,688.00)
051	Payson Fire	1,518,993.90	1,391.09	29,963.64	62,011.36	(67,257.12)	0.00	0.00	160,953.32	1,706,056.19	143,636.00

SCHEDULE OF CHANGES IN EMPLOYER RESERVES - YEAR ENDED JUNE 30, 2005
AND UNFUNDED ACCRUED NORMAL COSTS AT JUNE 30, 2004

Sys No.	System	Balance June 30, 2004 (at cost)	Reserve Transfers	Contributions Received	Insurance Prem. Tax Received	Pension Payment	DROP Payment	Enhanced Refunds	Distribution of Earnings (at cost)	Balance June 30, 2005 (at cost)	Unfunded Accrued Normal Costs June 30, 2004
052	Payson Police	2,633,382.92	83,322.35	234,531.54	0.00	(314,855.11)	0.00	0.00	260,069.36	2,896,451.06	2,103,422.00
053	Hualapai Valley Fire	789,187.87	173,243.52	123,575.66	18,209.50	(92,187.24)	0.00	0.00	92,629.88	1,104,659.19	769,872.00
054	Fry Fire	4,522,229.96	0.00	92,095.33	35,067.17	(434,100.34)	0.00	0.00	383,714.96	4,599,007.08	260,974.00
055	Fredonia Marshals	170,047.11	0.00	7,855.55	0.00	0.00	0.00	0.00	16,201.63	194,104.29	(176,412.00)
056	N.A.U. Police Dept	2,846,001.01	(157,534.07)	27,107.94	0.00	(355,056.59)	0.00	0.00	216,675.52	2,577,193.81	129,085.00
058	South Tucson Fire	1,149,552.60	(123,919.34)	44,323.94	0.00	(115,458.30)	0.00	0.00	95,839.00	1,050,337.90	164,235.00
059	Avondale Fire	1,989,695.72	0.00	270,936.13	0.00	(83,160.60)	0.00	(2,235.39)	231,279.98	2,406,515.84	443,920.00
060	Parker Police	1,001,640.29	0.00	15,621.55	0.00	(49,911.84)	0.00	0.00	90,301.47	1,057,651.47	(517,546.00)
061	Coconino Cnty Sheriff	8,004,595.45	291,268.32	463,275.89	0.00	(1,120,486.72)	(130,852.52)	0.00	692,713.04	8,200,513.46	4,912,919.00
062	Central Yavapai Fire	6,558,819.19	0.00	278,854.32	167,255.95	(286,688.76)	0.00	0.00	689,896.64	7,408,137.34	1,442,286.00
064	Buckskin Fire	1,232,496.13	(3,635.36)	41,446.70	18,461.23	(195,345.33)	0.00	0.00	96,674.55	1,190,097.92	685,931.00
065	Snowflake Police	613,904.81	(1,497.68)	70,191.38	0.00	(81,764.88)	0.00	0.00	61,158.43	661,992.06	520,512.00
066	Cottonwood Police	1,352,890.90	42,416.43	157,191.36	0.00	(186,336.88)	(60,326.39)	0.00	134,558.67	1,440,394.09	1,347,706.00
067	Lake Havasu Police	8,093,624.53	(7,429.09)	382,524.83	0.00	(561,582.28)	(70,979.56)	(12,998.33)	765,298.74	8,588,458.84	1,768,419.00
069	South Tucson Police	793,951.18	(173,600.35)	189,015.33	0.00	(285,439.76)	0.00	0.00	75,499.59	599,425.99	2,426,850.00
070	Apache Junction PD	5,651,034.19	39,975.53	274,986.45	0.00	(413,675.68)	(280,124.98)	(22,552.71)	534,371.81	5,784,014.61	1,195,378.00
071	Navajo Cnty Sheriffs	4,625,210.49	967.48	164,978.67	0.00	(616,597.29)	0.00	0.00	387,402.73	4,561,962.08	1,141,656.00
072	Mohave Valley Fire	1,191,781.91	0.00	13,213.50	13,188.64	0.00	0.00	0.00	122,956.09	1,341,140.14	(728,728.00)
073	Peoria Fire	10,301,358.51	941.10	101,933.82	387,382.54	(293,626.24)	0.00	0.00	1,087,076.12	11,585,065.85	(1,255,998.00)
074	Peoria Police	12,633,165.24	244,807.32	1,019,650.03	0.00	(678,521.28)	(39,473.18)	0.00	1,238,864.03	14,418,492.16	1,398,582.00
076	Paradise Valley PD	5,699,535.85	241,914.76	298,696.29	0.00	(618,637.05)	(283,759.93)	(20,687.38)	521,146.67	5,888,209.21	2,767,331.00
077	Wilcox Police	893,029.18	34,257.47	63,336.13	0.00	(143,582.84)	0.00	0.00	77,796.69	924,836.63	584,425.00
078	Show Low Police	1,726,146.71	37,664.65	105,498.75	0.00	(193,477.33)	0.00	0.00	160,317.01	1,836,149.79	183,943.00
079	Eloy Police	1,546,112.64	15,143.72	127,513.43	0.00	(41,424.96)	0.00	(41,929.39)	173,003.66	1,778,419.10	(248,819.00)
080	Nogales Police	4,392,444.13	59,756.89	215,518.07	0.00	(365,507.00)	0.00	(39,724.55)	412,225.72	4,674,713.26	281,039.00
081	Gilbert Police	8,821,661.61	64,898.29	819,271.21	0.00	(559,960.37)	0.00	(58,631.12)	970,229.59	10,057,469.21	1,745,401.00
083	Clifton Police	312,589.93	26,604.60	2,525.86	0.00	(12,799.30)	0.00	0.00	27,007.01	355,928.10	(267,093.00)
085	Coolidge Police	1,859,843.80	0.00	109,330.46	0.00	(137,456.28)	0.00	0.00	181,604.61	2,013,322.59	120,257.00
086	Holbrook Police	1,657,672.64	0.00	86,702.45	0.00	(260,732.40)	0.00	(37,806.82)	136,673.26	1,582,509.13	1,028,299.00
087	Santa Cruz Police	2,427,157.77	(109,705.11)	258,226.92	0.00	(246,799.08)	0.00	0.00	240,103.12	2,568,983.62	1,760,907.00
088	Prescott Valley PD	2,056,493.16	278,970.51	207,652.73	0.00	(98,832.60)	0.00	(3,100.85)	243,938.04	2,685,120.99	(51,268.00)
089	Eagar Police	483,807.40	241,109.66	36,356.06	0.00	(50,925.36)	(11,585.24)	0.00	57,789.00	756,551.52	(223,667.00)
090	Tolleson Police	1,666,726.04	(7,661.32)	114,893.72	0.00	(193,986.16)	0.00	(21,823.02)	148,828.37	1,706,977.63	190,090.00
091	Florence Police	1,125,116.32	(12,604.05)	18,941.44	0.00	(47,310.36)	0.00	0.00	103,182.62	1,187,325.97	(757,551.00)
092	Springerville Police	356,380.63	0.00	19,983.37	0.00	0.00	0.00	0.00	40,005.70	416,369.70	(132,380.00)
093	El Mirage Police	1,291,503.58	52,524.17	172,277.37	0.00	(87,497.18)	0.00	(17,200.53)	147,345.86	1,558,953.27	(157,758.00)
094	Superior Police	468,538.64	14,280.74	12,069.30	0.00	(26,545.19)	0.00	0.00	45,897.01	514,240.50	(204,800.00)
095	San Luis Police	1,098,267.81	13,041.88	111,524.44	0.00	(66,191.88)	0.00	0.00	117,103.77	1,273,746.02	119,790.00
096	Page Police	2,052,172.76	(195,249.87)	42,543.22	0.00	(176,077.40)	0.00	0.00	158,634.04	1,882,022.75	(363,141.00)
097	Page Fire	278,441.65	0.00	20,957.38	21,933.24	(46,641.48)	0.00	0.00	23,273.66	297,964.45	105,423.00
098	Yavapai Cnty Sheriff	7,835,476.39	109,981.10	723,226.20	0.00	(991,243.99)	(112,040.70)	(16,209.19)	762,526.48	8,311,716.29	4,477,486.00
099	Guadalupe Police	259,437.32	0.00	0.00	0.00	0.00	0.00	0.00	19,033.12	278,470.44	(340,343.00)
100	Pima Police	107,297.73	(132.02)	3,497.79	0.00	0.00	0.00	0.00	9,136.85	119,800.35	(148,190.00)
101	Apache Cty Sheriff	1,977,558.14	55,079.96	194,813.75	0.00	(355,942.33)	0.00	0.00	197,363.46	2,068,872.98	1,494,420.00
102	Cottonwood Fire	677,469.45	113,857.60	29,176.97	0.00	(43,396.80)	(12,644.82)	0.00	74,403.84	838,866.24	(319,935.00)
103	LaPaz Cty Sheriff	3,056,154.55	(18,007.60)	178,284.18	0.00	(31,606.91)	0.00	0.00	285,961.45	3,184,785.67	1,052,466.00
104	Pinal Cty Sheriff	14,152,434.41	357,152.10	755,437.81	0.00	(1,438,595.85)	(31,482.85)	(25,205.15)	1,283,213.43	15,052,953.90	1,680,047.00
105	Clarkdale Police	550,529.79	0.00	27,543.32	0.00	(19,326.48)	0.00	0.00	57,263.21	616,099.84	(64,634.00)
106	Buckeye Police	1,523,551.18	(38,560.94)	178,777.05	0.00	(68,854.60)	0.00	(2,457.43)	163,689.51	1,756,144.77	(274,729.00)
107	Marana Marshals	3,317,489.54	(45,769.28)	258,091.09	0.00	(167,111.05)	0.00	0.00	346,016.33	3,708,716.63	(392,968.00)
108	Tolleson Fire	1,202,672.05	(262,305.11)	92,967.26	0.00	(88,372.80)	0.00	0.00	124,316.97	1,069,278.37	(275,575.00)

SCHEDULE OF CHANGES IN EMPLOYER RESERVES - YEAR ENDED JUNE 30, 2005
AND UNFUNDED ACCRUED NORMAL COSTS AT JUNE 30, 2004

Sys No.	System	Balance June 30, 2004 (at cost)	Reserve Transfers	Contributions Received	Insurance Prem. Tax Received	Pension Payment	DROP Payment	Enhanced Refunds	Distribution of Earnings (at cost)	Balance June 30, 2005 (at cost)	Unfunded Accrued Normal Costs June 30, 2004
109	Chino Valley Police	1,046,474.36	0.00	72,914.01	0.00	(20,923.44)	0.00	0.00	121,715.13	1,220,180.06	(425,490.00)
110	Surprise Police	3,773,535.28	16,545.87	360,477.24	0.00	(166,260.34)	0.00	(10,101.25)	407,329.39	4,381,526.19	147,348.00
111	Wilton Police	199,026.23	(207,129.97)	12,723.40	0.00	0.00	0.00	0.00	11,704.93	16,324.59	(93,540.00)
112	Gila Cty Sheriff	3,585,960.67	(13,734.45)	192,361.78	0.00	(378,086.50)	0.00	0.00	329,853.61	3,716,355.11	581,814.00
113	Pinetop-Lakeside	1,203,862.24	82,708.37	58,640.02	0.00	(164,718.00)	0.00	0.00	104,645.91	1,285,138.54	541,034.00
114	Bullhead City Police	6,901,701.58	53,395.43	346,002.87	0.00	(259,538.06)	0.00	(55,042.75)	727,827.05	7,714,346.12	202,730.00
115	Williams Police	685,793.91	37,929.69	16,615.91	0.00	(45,449.47)	0.00	0.00	62,596.89	757,486.93	(278,857.00)
116	Miami Police	338,338.53	35,147.51	9,040.28	0.00	(33,371.10)	0.00	0.00	31,766.65	380,921.87	(134,565.00)
117	Thatcher Police	1,192,628.67	0.00	26,033.57	0.00	(36,975.00)	0.00	0.00	118,670.20	1,300,357.44	(132,562.00)
118	Youngtown Police	539,124.90	(17,885.66)	42,769.75	0.00	(48,825.12)	0.00	0.00	50,899.11	566,082.98	(81,315.00)
119	D.E.M.A.	2,814,531.12	59,158.34	101,505.01	0.00	(165,504.24)	0.00	0.00	279,264.27	3,088,954.50	221,398.00
120	Surprise Fire	2,805,995.01	0.00	242,683.53	0.00	(9,655.44)	0.00	0.00	329,480.81	3,368,503.91	(1,565,049.00)
121	Camp Verde Mrshls	863,855.24	(8,123.44)	52,876.03	0.00	(49,937.04)	0.00	0.00	85,374.22	944,045.01	(49,721.00)
122	Oro Valley Police	4,663,054.57	398,689.11	367,386.74	0.00	(211,752.00)	(51,843.12)	(20,990.19)	532,029.00	5,676,574.11	(201,035.00)
123	Greenlee Cty Sheriff	1,271,092.98	1,238.84	23,354.40	0.00	(63,298.20)	0.00	(7,365.81)	120,517.61	1,345,539.82	(204,255.00)
124	Tucson Air Auth Fire	3,562,245.36	0.00	112,407.09	0.00	(258,075.60)	0.00	0.00	329,946.48	3,746,523.33	365,007.00
125	Tucson Air Auth Pd	2,624,335.03	(39,121.02)	190,447.90	0.00	(417,884.28)	0.00	0.00	238,183.61	2,595,961.24	1,863,056.00
126	Wickenburg Police	672,443.14	10,140.27	91,325.41	0.00	(77,963.86)	0.00	0.00	73,516.67	769,461.63	628,522.00
127	El Mirage Fire	693,291.24	(10,456.73)	70,569.76	49,285.03	(33,174.24)	0.00	0.00	74,745.23	844,260.29	(194,768.00)
128	Patagonia Marshals	265,170.53	(3,157.86)	1,981.73	0.00	0.00	0.00	0.00	24,659.62	288,654.02	(419,821.00)
129	Sedona Police	1,297,037.25	10,579.50	150,558.68	0.00	(31,444.20)	0.00	(10,551.34)	144,168.22	1,560,348.11	(209,865.00)
130	Mammoth Police	(10,661.70)	18,510.64	24,208.45	0.00	(13,561.10)	0.00	0.00	6,374.91	25,262.20	124,695.00
131	Globe Police	1,696,509.79	35,608.34	110,861.20	0.00	(164,562.00)	0.00	(2,322.77)	165,559.94	1,841,654.50	791,798.00
132	Tombstone Police	277,858.60	(59,568.25)	19,741.26	0.00	0.00	0.00	(6,780.95)	27,778.27	259,028.93	(302,121.00)
133	Golder Ranch Fire	2,887,254.70	189,901.08	217,751.49	104,345.84	(47,034.68)	0.00	(4,151.92)	348,264.38	3,696,330.89	(135,098.00)
134	Fort Mohave Mesa FD	1,987,841.26	(7,672.74)	137,925.59	28,034.99	(89,534.79)	0.00	(24,972.48)	209,476.03	2,241,097.86	(223,795.00)
136	Goodyear Fire	1,859,504.00	48,335.96	141,945.25	(52,667.97)	0.00	0.00	0.00	231,078.65	2,228,195.89	(644,639.00)
137	Goodyear Police	2,943,488.05	60,300.32	298,580.03	0.00	(176,104.26)	0.00	0.00	325,175.23	3,451,439.37	611,891.00
138	Chino Valley Fire	1,131,480.29	0.00	77,731.04	36,395.69	0.00	0.00	0.00	130,904.62	1,376,511.64	(13,002.00)
139	Avondale Police	3,164,545.24	404,280.44	442,883.01	0.00	(288,167.63)	0.00	(91,680.12)	364,516.25	3,996,377.19	1,149,493.00
140	Graham Cty Sheriff	865,105.55	(71,199.63)	74,751.70	0.00	(89,729.52)	0.00	0.00	84,968.19	863,896.29	211,928.00
142	Golden Valley Fire	901,774.88	(5,297.70)	25,038.41	12,830.25	(19,796.94)	0.00	(20,561.32)	90,126.87	984,114.45	(229,241.00)
143	Daisy Mountain Fire	1,223,894.37	(9,344.21)	251,757.36	145,439.60	0.00	0.00	0.00	177,241.16	1,788,988.28	(178,824.00)
144	Quartsite Marshals	415,568.01	926.30	39,350.61	0.00	0.00	0.00	0.00	48,690.22	504,535.14	(297,160.00)
145	Picture Rock Fire	739,122.27	184,598.48	17,562.79	15,670.89	(18,456.40)	0.00	0.00	83,743.75	1,022,241.78	(440,977.00)
146	Pima Collge	2,371,358.44	(54,517.30)	75,778.27	0.00	(117,773.07)	0.00	0.00	234,484.06	2,509,330.40	(290,178.00)
147	Northwest Fire	7,556,400.00	(429,404.82)	373,098.92	289,823.89	(160,330.55)	0.00	0.00	811,164.70	8,440,752.14	(314,546.00)
148	Apache Junction Fire	3,985,911.06	229,926.96	319,034.58	132,407.64	(129,733.44)	0.00	0.00	471,697.89	5,009,244.69	959,292.00
149	Gilbert Fire	4,147,865.67	89,417.55	14,065.85	(195,853.87)	(27,347.41)	(45,486.74)	0.00	478,708.54	4,461,369.59	(1,007,991.00)
150	Pine-Strawberry Fire	931,586.75	0.00	81,079.94	24,794.57	(35,237.04)	0.00	0.00	98,688.10	1,100,912.32	484,588.00
151	Attorney Gen Inv	5,158,635.52	105,085.63	83,811.36	0.00	(543,875.04)	0.00	0.00	454,768.01	5,258,425.48	1,058,559.00
153	St. Johns Police	171,102.69	1,698.41	24,059.76	0.00	0.00	0.00	0.00	22,968.60	219,829.46	(112,901.00)
154	Pima Cty Attn Inv	971,748.00	(37,315.38)	19,640.07	0.00	(59,989.44)	0.00	0.00	84,308.35	978,391.60	(6,478.00)
155	SunLakes Fire	2,367,024.14	(148,082.30)	154,644.51	70,337.73	(37,595.04)	0.00	0.00	251,540.88	2,657,869.92	(495,064.00)
156	Kearny Police	143,553.87	455,512.56	18,913.76	0.00	(27,127.68)	0.00	0.00	33,031.74	623,884.25	165,444.00
157	Greenlee Cty Attn Inv	23,783.79	0.00	0.00	0.00	0.00	0.00	0.00	1,744.85	25,528.64	(31,201.00)
158	Navajo Cty Attn Inv	130,457.74	49,514.47	770.44	0.00	(3,818.16)	0.00	0.00	12,995.73	189,920.22	(122,357.00)
160	AZ State Capitol PD	1,082,735.62	93,765.36	103,351.11	0.00	(39,992.88)	0.00	(26,774.58)	122,061.32	1,335,145.95	(115,954.00)
161	Fountain Hills Mrshl	(93,411.44)	0.00	0.00	0.00	0.00	0.00	0.00	(7,026.92)	(100,438.36)	122,542.00
162	Avra Valley Fire	551,657.21	7,181.57	19,844.25	12,701.71	0.00	0.00	(22,331.85)	55,663.52	624,716.41	(433,769.00)
163	San Luis Fire	492,835.98	0.00	57,428.52	(4,831.53)	0.00	0.00	(5,200.71)	57,622.60	597,854.86	(137,010.00)

SCHEDULE OF CHANGES IN EMPLOYER RESERVES - YEAR ENDED JUNE 30, 2005
AND UNFUNDED ACCRUED NORMAL COSTS AT JUNE 30, 2004

Sys No.	System	Balance	Reserve Transfers	Contributions Received	Insurance	Pension Payment	DROP Payment	Enhanced Refunds	Distribution of Earnings (at cost)	Balance	Unfunded Accrued Normal Costs
		June 30, 2004 (at cost)			Prem. Tax Received					June 30, 2005 (at cost)	
164	Az St. Dept. Liquor/Licn	1,678,823.21	276,240.81	78,863.52	0.00	(99,379.32)	0.00	0.00	177,945.03	2,112,493.25	(478,719.00)
165	Maricopa Cnty Atty Inv	3,181,711.49	81,439.23	70,444.10	0.00	(378,326.25)	0.00	(29,308.12)	266,305.86	3,192,266.31	467,143.00
166	Sedona Fire	2,983,860.41	(87,322.56)	445,835.14	185,928.36	(108,528.66)	0.00	(45,751.66)	341,961.52	3,715,982.55	(332,422.00)
167	Guadalupe Fire	246,862.99	0.00	31,972.14	0.00	0.00	0.00	0.00	33,232.72	312,067.85	(88,320.00)
168	Mayer Fire	487,106.11	(78,517.56)	44,473.40	5,345.53	(16,893.84)	0.00	0.00	50,558.78	492,072.42	(521,668.00)
169	Somerton Police	517,987.41	(32,430.20)	68,857.33	0.00	(23,311.08)	0.00	0.00	55,955.41	587,058.87	213,205.00
170	Sun City West Fire	3,180,313.66	(2,644.64)	304,611.43	125,582.82	(52,854.49)	0.00	0.00	367,495.29	3,922,504.07	1,589,278.00
171	Somerton Fire	174,444.37	16,693.06	61,180.35	0.00	(15,862.74)	0.00	0.00	26,705.59	263,160.63	328,491.00
172	Tubac Fire District	542,245.91	0.00	49,443.86	13,027.81	0.00	0.00	0.00	64,023.81	668,741.39	(219,280.00)
173	La Paz Cnty Atty Inv	71,739.19	0.00	2,591.55	0.00	0.00	0.00	0.00	8,290.12	82,620.86	(71,855.00)
174	Sahuarita Police	367,679.60	99,537.83	72,043.17	0.00	0.00	0.00	0.00	53,347.56	592,608.16	(399,928.00)
176	Florence Fire	186,314.88	9,898.55	21,769.31	11,994.87	0.00	0.00	(25,955.54)	22,329.42	226,351.49	(143,248.00)
177	Sun City Fire	4,157,491.41	(29,472.66)	458,648.24	133,299.68	(37,805.28)	0.00	0.00	650,808.84	5,352,970.23	6,332,612.00
178	Hayden Police	90,576.57	(7,980.57)	18,237.53	0.00	0.00	0.00	(7,356.56)	9,853.29	103,330.26	(8,925.00)
179	Gila River Fire	1,410,071.49	(77,713.82)	250,655.50	0.00	(18,346.20)	0.00	(30,876.06)	181,974.54	1,715,765.45	(20,419.00)
180	Gila River Police	1,415,697.03	76,911.92	260,940.66	0.00	(43,311.60)	0.00	0.00	185,397.11	1,895,635.12	118,226.00
181	SaltRiver Pima-MricpFD	2,220,814.09	(9,781.29)	386,741.12	0.00	(20,268.12)	0.00	0.00	261,480.22	2,838,986.02	932,267.00
182	SaltRiver Pima-MricpPD	1,553,776.21	(44,469.61)	483,892.45	0.00	(150,163.26)	0.00	(4,234.10)	204,117.46	2,042,919.15	1,426,462.00
183	Lakeside Fire District	222,441.57	0.00	35,340.75	24,137.03	0.00	0.00	(3,435.18)	30,503.32	308,987.49	(80,406.00)
185	Pinetop Fire District	474,965.14	7,850.50	81,586.21	48,728.80	0.00	0.00	0.00	62,903.12	676,033.77	284,717.00
186	Show Low Fire District	580,437.88	(72,997.99)	29,046.06	(10,984.85)	0.00	0.00	0.00	54,701.17	580,202.27	(657,201.00)
187	Yavapai Cnty Attny Invst	165,107.23	81,166.19	11,486.64	0.00	(20,493.54)	0.00	0.00	19,973.60	257,240.12	(103,766.00)
188	Three Points Fire	166,418.00	116,053.57	43,076.99	14,310.73	0.00	0.00	0.00	28,873.15	368,732.44	(137,958.00)
190	Buckeye Fire	471,997.75	473,892.77	111,646.16	32,073.46	0.00	0.00	0.00	87,426.14	1,177,036.28	(584,581.00)
191	Montezuma-Rimrock	149,541.76	11,843.10	21,044.27	9,535.33	0.00	0.00	0.00	19,972.71	211,937.17	(145,802.00)
192	Heber-Overgaard	130,305.32	(30,895.79)	19,353.29	23,361.28	0.00	0.00	0.00	17,594.34	159,718.44	(52,680.00)
193	Diamond Star Fire	118,358.16	0.00	25,910.91	5,925.07	0.00	0.00	0.00	15,248.94	165,443.08	144,319.00
194	Green Valley Fire	2,024,505.66	2,811.68	153,588.73	92,517.78	0.00	0.00	0.00	210,908.51	2,484,332.36	454,254.00
195	Summitt Fire District	863,903.67	0.00	63,862.24	27,916.35	0.00	0.00	0.00	97,417.06	1,053,099.32	(337.00)
196	Camp Verde Fire	435,603.50	3,081.44	118,402.03	20,458.34	(3,081.44)	0.00	0.00	52,302.31	626,766.18	181,287.00
197	Fort McDowell Fire	699,478.20	(256,959.67)	33,275.02	0.00	0.00	0.00	0.00	58,342.71	534,136.26	(848,854.00)
198	Fort McDowell Police	515,695.90	0.00	87,068.43	0.00	0.00	0.00	0.00	61,449.37	664,213.70	(30,482.00)
199	Highlands Fire	589,788.92	(2,500.10)	119,406.64	41,152.91	(21,907.80)	0.00	0.00	69,744.99	795,685.56	482,874.00
200	Rio Rico Fire	145,798.71	(8,428.31)	68,454.18	18,244.50	0.00	0.00	0.00	22,883.04	246,952.12	57,534.00
201	Tri-City Fire	108,500.21	0.00	46,573.10	5,622.92	0.00	0.00	0.00	15,869.03	176,565.26	1,110.00
202	Maricopa Park Rangers	678,825.37	0.00	8,907.35	0.00	(65,489.72)	0.00	0.00	64,256.61	686,499.61	335,083.00
203	Verde Valley Fire	1,433,248.51	0.00	8,105.07	42,445.97	(33,665.68)	0.00	0.00	144,558.69	1,594,692.56	(1,069,088.00)
204	Arizona State Parks	2,702,080.91	3,653.31	231,204.55	0.00	(55,608.64)	0.00	0.00	330,850.04	3,212,180.17	(69,447.00)
205	Linden Fire	72,428.98	2,209.46	0.00	10,444.08	0.00	0.00	0.00	8,685.20	93,767.72	(109,613.00)
206	Hualapai Tribal Police	27,851.51	1,710.09	32,486.93	0.00	0.00	0.00	0.00	6,256.93	68,305.46	(31,325.00)
207	Pinewood Fire	377,352.52	2,282.60	89,605.63	0.00	(18,529.62)	0.00	0.00	34,236.94	484,948.07	393,167.00
208	Rincon Valley Fire	105,004.39	(727.68)	88,601.65	0.00	0.00	0.00	0.00	15,478.22	208,356.58	228,234.00
209	Tonopah Fire	43,021.52	0.00	12,866.55	0.00	0.00	0.00	0.00	5,613.15	61,501.22	(48,432.00)
210	Jerome Police	8,205.86	0.00	13,417.58	0.00	0.00	0.00	0.00	1,720.68	23,344.12	29,283.00
211	Fort Mojave Tribal Police	51,794.51	16,015.26	80,754.15	0.00	0.00	0.00	(3,824.58)	10,969.04	155,708.38	331,850.00
212	Buckeye Valley Fire	345,453.67	4,084.09	250,828.63	0.00	0.00	0.00	0.00	40,687.73	641,054.12	60,794.00
213	Eloy Fire	20,506.33	0.00	83,355.94	0.00	0.00	0.00	0.00	6,685.73	110,548.00	73,245.00
214	Pascua Yaqui Tribal Police	6,320.21	0.00	169,440.98	0.00	0.00	0.00	0.00	10,104.41	185,865.60	1,007,176.00
215	Pascua Yaqui Tribal Fire	6,645.26	12,797.52	181,726.69	0.00	0.00	0.00	0.00	12,571.25	213,740.72	1,098,812.00
216	Town of Superior Fire	0.00	20,757.15	10,386.32	0.00	0.00	0.00	0.00	1,700.04	32,843.51	0.00
217	Wickenburg Fire	0.00	2,180.32	3,520.02	0.00	0.00	0.00	0.00	392.88	6,093.22	0.00

Public Safety Personnel Retirement System of Arizona

SCHEDULE OF CHANGES IN EMPLOYER RESERVES - YEAR ENDED JUNE 30, 2005
AND UNFUNDED ACCRUED NORMAL COSTS AT JUNE 30, 2004

Sys No.	System	Balance June 30, 2004 (at cost)	Reserve Transfers	Contributions Received	Insurance Prem. Tax Received	Pension Payment	DROP Payment	Enhanced Refunds	Distribution of Earnings (at cost)	Balance June 30, 2005 (at cost)	Unfunded Accrued Normal Costs June 30, 2004
218	Carefree Town Marshals	0.00	9,274.76	3,899.44	0.00	0.00	0.00	0.00	882.05	14,056.25	0.00
219	Black Canyon Fire District	0.00	0.00	32,734.15	0.00	0.00	0.00	0.00	1,987.75	34,721.90	0.00
220	Graham Cnty Atty Inv	0.00	97,706.81	2,947.79	0.00	0.00	0.00	0.00	5,025.28	105,679.88	0.00
221	Quartzsite Fire	0.00	0.00	16,822.83	0.00	0.00	0.00	0.00	980.91	17,803.74	0.00
222	Rio Verde Fire	0.00	0.00	75,635.73	0.00	0.00	0.00	0.00	5,349.99	80,985.72	0.00
223	Scottsdale Fire	0.00	1,231,835.28	52,540.85	0.00	0.00	0.00	0.00	62,163.89	1,346,540.02	0.00
224	Ak Chin Indian Comm. Fire	0.00	0.00	1,265,766.64	0.00	0.00	0.00	0.00	47,791.17	1,313,557.81	0.00
225	Ak Chin Indian Comm. Police	0.00	0.00	599,606.89	0.00	0.00	0.00	0.00	22,738.93	622,345.82	0.00
TOTALS		3,044,883,675.12	22,533,368.45	92,778,812.63	11,718,337.01	(242,183,922.99)	(15,265,159.66)	(2,438,646.24)	264,427,128.81	3,176,453,593.13	393,019,656.00

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVES
FISCAL YEAR ENDED JUNE 30, 2005

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Sys No.	System	Balance June 30, 2004 (at cost)	Reserve Transfers	Contributions Received	Withdrawn Members	Balance June 30, 2005 (at cost)
001	Bisbee Fire	483,451.28	(41,199.62)	56,713.24	0.00	498,964.90
002	Casa Grande Fire	904,111.76	22,895.18	167,733.20	0.00	1,094,740.14
003	Casa Grande Police	2,054,742.34	(169,104.32)	253,541.23	(24,072.79)	2,115,106.46
004	Chandler Fire	6,603,102.05	(66,182.88)	849,170.14	0.00	7,386,089.31
005	Chandler Police	10,437,914.43	(163,495.24)	1,416,226.24	(152,658.85)	11,537,986.58
006	Clifton Fire	44,766.70	0.00	0.00	0.00	44,766.70
007	Dept. of Public Safety	22,537,036.67	(710,360.91)	1,495,668.22	(182,553.88)	23,139,790.10
008	Douglas Fire	577,643.56	(107,675.86)	75,254.73	0.00	545,222.43
009	Douglas Police	796,933.99	62,903.07	112,444.77	(16,508.63)	955,773.20
010	Flagstaff Fire	3,869,303.99	(40,043.29)	313,953.15	0.00	4,143,213.85
011	Flagstaff Police	2,800,570.16	(70,464.17)	388,424.54	(131,479.80)	2,987,050.73
012	Glendale Fire	7,845,199.70	(144,412.35)	860,252.07	0.00	8,561,039.42
013	Glendale Police	11,904,854.39	(397,213.27)	1,408,315.19	(69,657.24)	12,846,299.07
014	Globe Fire	360,715.90	28,023.09	53,022.27	0.00	441,761.26
015	Kingman Fire	1,567,520.57	(13,799.76)	177,391.90	0.00	1,731,112.71
016	Maricopa Cnty Sheriff	21,077,742.50	(441,390.53)	2,488,696.99	(128,571.19)	22,996,477.77
017	Mesa Fire	20,010,296.50	(123,277.03)	1,925,182.33	(16,542.69)	21,795,659.11
018	Mesa Police	31,659,400.77	(510,803.05)	4,005,562.74	(392,768.80)	34,761,391.66
019	Miami Fire	0.00	0.00	0.00	0.00	0.00
020	Nogales Fire	910,053.25	0.00	132,753.16	(32,455.31)	1,010,351.10
021	Phoenix Fire	80,075,513.86	(774,322.34)	6,836,202.63	(94,084.95)	86,043,309.20
022	Phoenix Police	130,810,452.07	(2,813,291.46)	13,878,374.94	(665,517.24)	141,210,018.31
023	Prescott Fire	2,431,678.46	(270,780.62)	239,845.81	0.00	2,400,743.65
024	Prescott Police	2,038,102.62	(206,925.45)	247,182.61	0.00	2,078,359.78
025	Scottsdale Police	13,931,506.36	(520,356.79)	1,803,139.57	(236,923.20)	14,977,365.94
026	Sierra Vista Fire	1,504,433.40	(34,230.95)	133,590.91	(20,730.19)	1,583,063.17
027	Tempe Fire	6,940,425.19	(187,592.89)	493,423.57	0.00	7,246,255.87
028	Tempe Police	12,660,690.62	(631,662.28)	1,517,209.13	(151,642.58)	13,394,594.89
029	Tucson Fire	21,814,004.29	(376,690.79)	1,487,789.84	0.00	22,925,103.34
030	Tucson Police	33,044,091.81	(642,461.95)	2,679,288.41	(194,692.20)	34,886,226.07
031	Winslow Fire	210,364.71	0.00	20,994.10	0.00	231,358.81
032	Yuma Fire	3,380,937.96	(36,697.97)	356,524.22	(55,272.08)	3,645,492.13
033	Yuma Police	4,844,882.55	(221,174.70)	564,886.76	(20,838.34)	5,167,756.27
034	Yuma County Sheriff	1,377,126.97	(68,088.01)	240,289.88	(13,354.82)	1,535,974.02
035	Game & Fish	4,806,928.49	(335,408.92)	382,671.97	(13,208.07)	4,840,983.47
036	Sierra Vista Police	1,678,758.16	(78,188.82)	207,691.47	(66,003.25)	1,742,257.56
037	Benson Police	220,359.45	11,299.81	30,295.86	(12,646.46)	249,308.66
038	Bisbee Police	363,456.87	0.00	48,674.91	0.00	412,131.78
039	Pima County Sheriff	9,162,609.58	(727,161.27)	972,429.77	(47,655.23)	9,360,222.85
040	Kingman Police	1,255,452.24	(4,668.72)	196,807.83	(38,595.13)	1,408,996.22
041	A.S.U. Campus Police	1,396,640.05	13,138.30	223,502.86	(3,386.01)	1,629,895.20
042	Lake Havasu Fire	2,891,233.32	(47,100.92)	220,433.33	(10,235.96)	3,054,329.77
043	Mohave Cnty Sheriff	2,001,436.52	(182,316.36)	298,963.89	(65,832.28)	2,052,251.77
044	Bullhead City Fire	1,712,101.88	0.00	297,252.26	(39,959.81)	1,969,394.33
045	U of A Campus Police	1,082,280.26	(22,148.82)	184,438.05	(47,277.30)	1,197,292.19
046	Cochise Cnty Sheriff	1,783,260.68	(162,365.51)	243,367.14	0.00	1,864,262.31
047	Safford Police	448,483.29	(45,557.98)	63,327.99	0.00	466,253.30
049	Drexel Heights Fire	1,470,007.95	(30,153.82)	263,227.14	0.00	1,703,081.27
050	Winslow Police	440,718.05	(12,556.61)	80,482.90	(53,749.51)	454,894.83
051	Payson Fire	571,636.17	(1,391.09)	94,824.71	0.00	665,069.79
052	Payson Police	880,105.56	(40,201.35)	100,965.89	(1,440.85)	939,429.25
053	Hualapai Valley Fire	302,440.63	2,008.48	83,260.03	0.00	387,709.14
054	Fry Fire	777,170.90	0.00	124,388.67	0.00	901,559.57
055	Fredonia Marshalls	46,656.83	0.00	11,253.77	(11,475.76)	46,434.84

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVES
FISCAL YEAR ENDED JUNE 30, 2005

Sys No.	System	Balance	Reserve Transfers	Contributions Received	Withdrawn Members	Balance
		June 30, 2004 (at cost)				June 30, 2005 (at cost)
056	N.A.U. Police	356,997.88	(40,623.46)	45,476.98	0.00	361,851.40
058	South Tucson Fire	263,780.13	(44,868.66)	39,575.20	(8,116.74)	250,369.93
059	Avondale Fire	951,877.41	119,707.00	231,324.43	(125,311.10)	1,177,597.74
060	Parker Police	235,730.45	0.00	35,567.45	(15,874.21)	255,423.69
061	Coconino Cnty Sheriff	1,703,685.10	(236,486.32)	224,516.78	(1,013.72)	1,690,701.84
062	Central Yavapai Fire	2,468,512.95	24,988.00	317,016.22	0.00	2,810,517.17
064	Buckskin Fire	133,490.42	(2,761.64)	33,041.78	(8,140.35)	155,630.21
065	Snowflake Police	206,870.15	257.68	37,947.70	0.00	245,075.53
066	Cottonwood Police	500,902.75	(62,147.43)	73,368.62	0.00	512,123.94
067	Lake Havasu Police	2,392,866.94	(63,029.91)	314,995.52	(91,157.87)	2,553,674.68
069	South Tucson Police	389,264.93	(92,048.65)	62,256.65	0.00	359,472.93
070	Apache Junction Police	1,975,492.75	(405,061.53)	197,897.15	(64,466.01)	1,703,862.36
071	Navajo County Sheriff	896,601.09	(97,348.83)	110,709.00	(26,939.03)	883,022.23
072	Mohave Valley Fire	436,147.51	0.00	56,256.90	(9,229.36)	483,175.05
073	Peoria Fire	3,880,023.79	173.49	506,467.75	0.00	4,386,665.03
074	Peoria Police	3,723,718.08	25,242.37	461,892.33	(8,860.66)	4,201,992.12
076	Paradise Valley Police	1,673,614.33	(258,262.76)	143,934.49	(29,553.40)	1,529,732.66
077	Willcox Police	201,767.40	(52,356.47)	31,730.17	0.00	181,141.10
078	Show Low Police	460,927.13	(37,664.65)	83,104.49	0.00	506,366.97
079	Eloy Police	752,998.92	8,796.28	115,577.71	(73,090.59)	804,282.32
080	Nogales Police	1,263,611.30	(54,640.89)	174,663.54	(57,835.94)	1,325,798.01
081	Gilbert Police	4,049,239.19	(133,399.57)	711,406.52	(165,937.31)	4,461,308.83
083	Clifton Police	60,783.59	(35,753.60)	9,585.76	0.00	34,615.75
085	Coolidge Police	584,764.51	0.00	87,947.23	0.00	672,711.74
086	Holbrook Police	353,783.52	0.00	44,937.63	(123,093.23)	275,627.92
087	Santa Cruz Cnty Deputy	851,069.04	(29,380.89)	124,472.61	(6,217.64)	939,943.12
088	Prescott Valley Police	930,615.49	114,334.49	182,591.56	(25,801.74)	1,201,739.80
089	Eagar Police	180,775.66	(2,753.66)	28,295.61	0.00	206,317.61
090	Tolleson Police	373,827.02	26,559.32	85,333.90	(25,674.14)	460,046.10
091	Florence Police	274,656.93	(6,656.95)	60,629.15	0.00	328,629.13
092	Springerville Police	165,935.13	0.00	24,304.19	0.00	190,239.32
093	El Mirage Police	616,200.80	(23,532.17)	164,534.92	(69,733.15)	687,470.40
094	Superior Police	140,245.45	12,899.26	19,941.70	0.00	173,086.41
095	San Luis Police	430,507.02	(13,041.88)	97,050.61	(12,766.89)	501,748.86
096	Page Police	277,240.03	(54,781.13)	59,687.13	(2,236.85)	279,909.18
097	Page Fire	22,777.20	0.00	18,546.02	(10,352.82)	30,970.40
098	Yavapai Cnty Sheriff	2,601,731.18	(184,099.10)	424,288.03	(44,063.62)	2,797,856.49
099	Guadalupe Police	0.00	0.00	0.00	0.00	0.00
100	Pima Police	12,318.13	(102.98)	7,537.58	(591.44)	19,161.29
101	Apache Cnty Sheriff	734,253.48	(41,668.96)	104,717.10	0.00	797,301.62
102	Cottonwood Fire	329,541.04	(110,025.60)	38,483.79	(2,276.59)	255,722.64
103	La Paz Cnty Sheriff	871,044.10	(7,954.40)	111,964.45	(2,273.44)	972,780.71
104	Pinal Cnty Sheriff	3,351,515.63	(123,812.10)	547,171.95	(57,872.73)	3,717,002.75
105	Clarksdale Police	212,367.55	0.00	25,664.62	0.00	238,032.17
106	Buckeye Police	641,827.76	(25,869.06)	156,123.04	(80,687.38)	691,394.36
107	Marana Marshalls	1,266,075.93	(17,301.72)	235,250.39	(7,414.14)	1,476,610.46
108	Tolleson Fire	635,183.03	(132,907.89)	111,124.87	(5,152.15)	608,247.86
109	Chino Valley Police	517,759.80	54,290.00	77,256.61	0.00	649,306.41
110	Surprise Police	1,480,980.39	55,923.13	336,711.92	(20,449.45)	1,853,165.99
111	Welton Police	78,064.16	(49,390.03)	12,103.40	0.00	40,777.53
112	Gila Cnty Sheriff	957,277.77	(8,459.55)	124,802.51	(6,928.86)	1,066,691.87
113	Pinetop-Lakeside Police	201,114.05	43,359.63	33,756.43	(10,467.46)	267,762.65
114	Bullhead City Police	2,916,484.36	(63,745.43)	301,472.49	(130,022.53)	3,024,188.89
115	Williams Police	154,334.74	(17,252.05)	33,538.46	0.00	170,621.15

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVES
FISCAL YEAR ENDED JUNE 30, 2005

Sys No.	System	Balance June 30, 2004 (at cost)	Reserve Transfers	Contributions Received	Withdrawn Members	Balance June 30, 2005 (at cost)
116	Miami Police	105,387.97	(46,518.51)	16,008.65	(1,496.20)	73,381.91
117	Thatcher Police	415,857.99	0.00	28,249.17	0.00	444,107.16
118	Youngtown Police	150,476.09	(7,903.34)	39,659.04	0.00	182,231.79
119	D.E.M.A.	931,947.37	29,247.66	95,394.58	0.00	1,056,589.61
120	Surprise Fire	1,408,400.08	0.00	302,365.76	0.00	1,710,765.84
121	Camp Verde Marshalls	280,749.51	(7,573.56)	49,510.56	0.00	322,686.51
122	Oro Valley Police	2,252,739.60	(84,289.11)	314,725.95	(67,863.47)	2,415,312.97
123	Greenlee Cnty Sheriff	383,138.75	(309.84)	37,299.74	(13,392.39)	406,736.26
124	Tucson Airprt Auth. Fire	928,721.92	76,751.00	82,052.85	0.00	1,087,525.77
125	Tucson Airprt Auth. PD	749,080.86	(79,981.15)	98,887.21	0.00	767,986.92
126	Wickenburg Police	293,017.65	11,505.73	37,622.01	(1,161.30)	340,984.09
127	El Mirage fire	215,706.44	(5,136.27)	74,566.06	0.00	285,136.23
128	Patagonia Marshall	70,575.47	(1,958.14)	7,579.21	(4,880.06)	71,316.48
129	Sedona Police	546,217.32	9,151.50	134,899.47	(26,916.02)	663,352.27
130	Mammoth Police	72,674.96	18,067.36	11,660.88	0.00	102,403.20
131	Globe Police	567,602.04	(40,193.34)	61,859.20	(16,446.46)	572,821.44
132	Tombstone Police	137,543.41	(30,982.75)	21,729.77	(16,952.37)	111,338.06
133	Golder Ranch Fire Dist.	1,375,404.06	44,527.92	295,675.98	(16,607.67)	1,699,000.29
134	Fort Mohave Mesa Fire	789,231.61	(50,547.26)	157,642.97	(40,793.70)	855,533.62
136	Goodyear Fire	1,072,679.48	23,414.04	261,670.29	(5,479.33)	1,352,284.48
137	Goodyear Police	1,248,644.30	24,148.68	257,069.13	0.00	1,529,862.11
138	Chino Valley Fire Dist.	525,555.39	0.00	94,282.10	(11,895.63)	607,941.86
139	Avondale Police	1,440,649.85	50,052.56	325,149.05	(135,910.56)	1,679,940.90
140	Graham Cnty Sheriff	320,589.30	(18,190.37)	50,472.76	0.00	352,871.69
142	Golden Valley Fire	312,712.53	(2,722.30)	50,963.60	(32,428.74)	328,525.09
143	Daisy Mountain Fire	760,612.35	7,102.21	275,354.94	0.00	1,043,069.50
144	Quartzsite Marshall	208,158.63	(926.30)	37,348.86	0.00	244,581.19
145	Picturerock Fire	279,693.06	(13,205.48)	40,505.79	(8,328.96)	298,664.41
146	Pima Cmnty Coll. PD	855,925.81	(45,795.70)	81,476.11	(1,818.96)	889,787.26
147	Northwest Fire	3,042,168.77	(158,696.18)	565,394.03	(106.43)	3,448,760.19
148	Apache Junction Fire	1,904,064.42	(34,773.96)	345,558.89	0.00	2,214,849.35
149	Gilbert Fire	2,217,855.58	(2,362.55)	466,562.02	(45.43)	2,682,009.62
150	Pine-Strawberry Fire	326,364.42	0.00	62,115.51	0.00	388,479.93
151	Attrny Genrl Investgr	1,226,147.55	(92,917.67)	85,945.54	0.00	1,219,175.42
153	St. Johns Police	115,658.11	(1,698.41)	26,598.10	0.00	140,557.80
154	Pima Cnty Attrny Invst	217,372.25	(22,450.62)	22,193.01	0.00	217,114.64
155	Sun Lakes Fire Dist.	896,864.56	(1,681.70)	177,631.19	0.00	1,072,814.05
156	Kearny Police	29,018.21	88,394.44	9,239.30	0.00	126,651.95
157	Greenlee Cnty Atny Invst	0.00	0.00	0.00	0.00	0.00
158	Navajo Cnty Attrny Invest	46,690.83	(49,514.47)	2,946.94	0.00	123.30
160	AZ State Capitol Police	463,231.53	61,265.64	88,332.09	(50,912.44)	561,916.82
161	Fountain Hills Marshall	0.00	0.00	0.00	0.00	0.00
162	Avra Valley Fire	170,969.43	3,280.43	55,452.88	(23,669.82)	206,032.92
163	San Luis Fire	246,713.28	0.00	60,910.24	(20,802.85)	286,820.67
164	AZ Dept. of Liquor/Licns	558,904.82	30,433.19	81,638.24	0.00	670,976.25
165	Maricopa Cnty Atorny Invst	603,854.20	(63,619.59)	45,400.11	(27,987.71)	557,647.01
166	Sedona Fire District	1,355,413.40	(39,620.44)	66,346.52	(45,393.49)	1,336,745.99
167	Guadalupe Fire	173,667.45	0.00	30,195.80	0.00	203,863.25
168	Mayer Fire District	225,296.20	(47,101.44)	43,429.39	(12,237.04)	209,387.11
169	Somerton Police	224,940.01	(16,793.80)	46,574.48	(5,884.37)	248,836.32
170	SunCity West Fire Dstrct	1,454,529.23	(105,118.26)	265,470.17	0.00	1,614,881.14
171	Somerton Fire	132,543.07	10,623.94	43,416.42	(1,346.20)	185,237.23
172	Tubac Fire District	258,234.32	0.00	58,662.78	0.00	316,897.10
173	LaPaz Cnty Atorny Invst	38,024.65	0.00	3,624.22	0.00	41,648.87

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVES
FISCAL YEAR ENDED JUNE 30, 2005

Sys No.	System	Balance	Reserve Transfers	Contributions Received	Withdrawn Members	Balance
		June 30, 2004 (at cost)				June 30, 2005 (at cost)
174	Sahuarita Police	211,953.04	33,201.03	80,457.11	0.00	325,611.18
176	Florence Fire Dept	110,376.18	2,314.45	25,570.59	(45,418.11)	92,843.11
177	Sun City Fire Dept	4,198,617.14	(16,429.34)	299,490.46	0.00	4,481,678.26
178	Hayden Police	48,767.65	(7,675.43)	12,577.35	(18,391.39)	35,278.18
179	Gila River Fire Dept	942,618.43	(22,895.18)	218,898.02	(79,550.21)	1,059,071.06
180	Gila River Police Dept	829,087.28	16,304.08	241,670.17	(5,810.67)	1,081,250.86
181	SaltRiverPima-MaricopFire	1,013,866.92	(8,544.71)	282,576.35	0.00	1,287,898.56
182	SaltRiverPima-MaricopPD	953,751.95	(55,444.69)	328,356.09	(31,238.63)	1,195,424.72
183	Lakeside Fire District	126,688.97	0.00	48,037.74	(8,587.96)	166,138.75
185	Pinetop Fire District	248,055.43	(7,850.50)	78,322.94	(14,079.18)	304,448.69
186	Show Low Fire District	177,894.43	(27,369.01)	48,178.05	0.00	198,703.47
187	Yavapai Cnty Attny Inv.	68,569.31	(2,759.36)	6,890.38	0.00	72,700.33
188	Three Points Fire District	90,015.56	29,251.43	45,816.78	0.00	165,083.77
190	Buckeye Fire	239,474.78	161,535.70	134,099.08	(17,919.99)	517,189.57
191	Montezuma/Rimrock	79,947.65	8,035.90	25,324.56	(5,544.47)	107,763.64
192	Heber-Overgaard Fire	71,421.59	(6,826.21)	36,048.37	0.00	100,643.75
193	Diamond Star Fire	59,506.28	0.00	21,858.85	(4,661.41)	76,703.72
194	Green Valley Fire	556,609.34	(2,811.68)	190,474.65	0.00	744,272.31
195	Summit Fire	356,205.15	0.00	76,528.35	0.00	432,733.50
196	Camp Verde Fire	164,472.65	(3,081.44)	73,880.53	(21,555.98)	213,715.76
197	Fort McDowell Fire	204,655.19	(45,693.33)	47,806.92	(386.43)	206,382.35
198	Fort McDowell Police	234,485.14	0.00	80,444.09	0.00	314,929.23
199	Highlands Fire	224,986.59	(1,331.90)	69,676.36	0.00	293,331.05
200	Rio Rico Fire	84,510.36	(3,883.69)	58,353.66	0.00	138,980.33
201	Tri-City Fire	60,040.41	0.00	32,870.32	0.00	92,910.73
202	Maricopa Park Rangers	226,787.99	0.00	8,371.06	0.00	235,159.05
203	Verde Valley Fire	458,235.26	0.00	75,975.10	0.00	534,210.36
204	Arizona State Park Rangers	1,644,466.59	1,922.65	132,886.21	(4,010.64)	1,775,264.81
205	Linden Fire	28,771.23	(2,761.46)	8,439.18	0.00	34,448.95
206	Hualapai Tribal Police	24,084.58	1,111.91	29,067.01	0.00	54,263.50
207	Pinewood Fire	34,528.22	(9,942.60)	38,061.40	(2,205.91)	60,441.11
208	Rincon Valley Fire	39,512.53	(3,657.32)	43,259.15	0.00	79,114.36
209	Tonopah Fire	21,322.62	0.00	9,716.50	0.00	31,039.12
210	Jerome Police	4,264.22	0.00	7,877.10	0.00	12,141.32
211	Fort Mojave Tribal Police	28,121.55	6,109.74	48,453.21	(12,593.53)	70,090.97
212	Buckey Valley Fire	24,189.85	15,523.91	88,517.72	(3,551.86)	124,679.62
213	Eloy Fire	8,889.77	0.00	37,138.73	0.00	46,028.50
214	Pascua Yaqui Tribal Police	3,012.71	0.00	82,195.26	0.00	85,207.97
215	Pascua Yaqui Tribal Fire	3,597.02	19,204.48	102,922.53	(869.02)	124,855.01
216	Town of Superior Fire	0.00	7,917.73	6,387.20	0.00	14,304.93
217	Wickenburg Fire	0.00	2,034.55	2,768.54	0.00	4,803.09
218	Carefree Town Marshals	0.00	7,073.24	3,333.05	0.00	10,406.29
219	Black Canyon Fire District	0.00	0.00	20,405.54	0.00	20,405.54
220	Graham Cnty Atty Inv	0.00	30,990.19	2,698.83	0.00	33,689.02
221	Quartzsite Fire	0.00	0.00	9,400.60	0.00	9,400.60
222	Rio Verde Fire	0.00	0.00	67,388.55	0.00	67,388.55
223	Scottsdale Fire	0.00	341,042.72	36,440.49	0.00	377,483.21
224	Ak Chin Indian Comm. Fire	0.00	0.00	11,859.04	0.00	11,859.04
225	Ak Chin Indian Comm. Police	0.00	0.00	8,555.08	(270.53)	8,284.55
TOTALS		594,479,065.00	(13,505,310.36)	67,947,506.38	(5,208,796.46)	643,712,464.56

EARNINGS DISTRIBUTION - FISCAL YEAR ENDED JUNE 30, 2005

Sys No.	Employer System	Employer Reserve June 30, 2004	Employer Reserve June 30, 2005	Member Reserve June 30, 2004	Member Reserve June 30, 2005	Combined Reserves	Mean Balance	Factor	Investment Earnings
001	Bisbee Fire	2,181,046.44	2,073,255.35	483,451.28	498,964.90	5,236,717.97	2,618,358.99	0.0741%	195,885.90
002	Casa Grande Fire	4,452,872.44	4,484,430.30	904,111.76	1,094,740.14	10,936,154.64	5,468,077.32	0.1547%	409,080.37
003	Casa Grande Police	7,229,039.27	7,440,873.38	2,054,742.34	2,115,106.46	18,839,761.45	9,419,880.73	0.2665%	704,724.54
004	Chandler Fire	19,655,481.04	21,444,371.04	6,603,102.05	7,386,089.31	55,089,043.44	27,544,521.72	0.7793%	2,060,673.71
005	Chandler Police	26,462,230.22	27,856,722.28	10,437,914.43	11,537,986.58	76,294,853.51	38,147,426.76	1.0793%	2,853,903.22
006	Clifton Fire	335,262.70	329,681.27	44,766.70	44,766.70	754,477.37	377,238.69	0.0107%	28,222.16
007	Dept. of Public Safety	340,658,962.34	326,845,301.39	22,537,036.67	23,139,790.10	713,181,090.50	356,590,545.25	10.0888%	26,677,419.48
008	Douglas Fire	3,589,188.65	3,487,512.46	577,643.56	545,222.43	8,199,567.10	4,099,783.55	0.1160%	306,714.93
009	Douglas Police	4,191,336.71	4,245,865.65	796,933.99	955,773.20	10,189,909.55	5,094,954.78	0.1441%	381,166.15
010	Flagstaff Fire	20,344,975.86	20,289,880.11	3,869,303.99	4,143,213.85	48,647,373.81	24,323,686.91	0.6882%	1,819,715.10
011	Flagstaff Police	14,261,994.17	13,857,060.08	2,800,570.16	2,987,050.73	33,906,675.14	16,953,337.57	0.4796%	1,268,321.06
012	Glendale Fire	33,926,289.02	34,610,805.16	7,845,199.70	8,561,039.42	84,943,333.30	42,471,666.65	1.2016%	3,177,410.29
013	Glendale Police	41,384,083.82	41,478,869.14	11,904,854.39	12,846,299.07	107,614,106.42	53,807,053.21	1.5223%	4,025,438.56
014	Globe Fire	1,831,823.53	1,861,658.96	360,715.90	441,761.26	4,495,959.65	2,247,979.83	0.0636%	168,176.92
015	Kingman Fire	3,994,737.13	4,449,836.48	1,567,520.57	1,731,112.71	11,743,206.89	5,871,603.45	0.1661%	439,269.16
016	Maricopa Cnty Sheriff	105,142,941.20	103,408,606.47	21,077,742.50	22,996,477.77	252,625,767.94	126,312,883.97	3.5737%	9,449,778.85
017	Mesa Fire	81,250,745.04	83,711,915.39	20,010,296.50	21,795,659.11	206,768,616.04	103,384,308.02	2.9250%	7,734,435.45
018	Mesa Police	117,947,142.89	120,868,721.47	31,659,400.77	34,761,391.66	305,236,656.79	152,618,328.40	4.3179%	11,417,754.12
019	Miami Fire	249,855.17	236,993.64	0.00	0.00	486,848.81	243,424.41	0.0069%	18,211.18
020	Nogales Fire	3,365,897.79	3,338,717.11	910,053.25	1,010,351.10	8,625,019.25	4,312,509.63	0.1220%	322,629.50
021	Phoenix Fire	382,818,987.87	387,378,409.47	80,075,513.86	86,043,309.20	936,316,220.40	468,158,110.20	13.2453%	35,024,064.59
022	Phoenix Police	656,993,292.81	654,498,353.34	130,810,452.07	141,210,018.31	1,583,512,116.53	791,756,058.27	22.4006%	59,233,226.38
023	Prescott Fire	11,118,873.51	11,260,688.01	2,431,678.46	2,400,743.65	27,211,983.63	13,605,991.82	0.3849%	1,017,897.85
024	Prescott Police	7,601,132.85	7,440,203.57	2,038,102.62	2,078,359.78	19,157,798.82	9,578,899.41	0.2710%	716,621.13
025	Scottsdale Police	58,882,218.49	59,371,470.65	13,931,506.36	14,977,365.94	147,162,561.44	73,581,280.72	2.0818%	5,504,797.36
026	Sierra Vista Fire	5,677,907.16	5,857,159.49	1,504,433.40	1,583,063.17	14,622,563.22	7,311,281.61	0.2069%	546,975.04
027	Tempe Fire	43,371,896.37	43,718,892.97	6,940,425.19	7,246,255.87	101,277,470.40	50,638,735.20	1.4327%	3,788,408.86
028	Tempe Police	48,528,376.52	48,464,712.35	12,660,690.62	13,394,594.89	123,048,374.38	61,524,187.19	1.7407%	4,602,776.41
029	Tucson Fire	146,095,691.18	144,556,767.97	21,814,004.29	22,925,103.34	335,391,566.78	167,695,783.39	4.7445%	12,545,735.77
030	Tucson Police	207,586,110.97	207,548,023.76	33,044,091.81	34,886,226.07	483,064,452.61	241,532,226.31	6.8335%	18,069,622.44
031	Winslow Fire	2,754,189.12	2,865,591.68	210,364.71	231,358.81	6,061,504.32	3,030,752.16	0.0857%	226,738.06
032	Yuma Fire	18,148,188.21	17,718,263.61	3,380,937.96	3,645,492.13	42,892,881.91	21,446,440.96	0.6068%	1,604,461.22
033	Yuma Police	23,323,781.22	23,301,832.43	4,844,882.55	5,167,756.27	56,638,252.47	28,319,126.24	0.8012%	2,118,623.78
034	Yuma County Sheriff	7,488,576.15	7,310,754.37	1,377,126.97	1,535,974.02	17,712,431.51	8,856,215.76	0.2506%	662,555.38
035	Game & Fish	26,871,511.34	25,320,570.33	4,806,928.49	4,840,983.47	61,839,993.63	30,919,996.82	0.8748%	2,313,201.34
036	Sierra Vista Police	7,669,705.87	7,458,383.27	1,678,758.16	1,742,257.56	18,549,104.86	9,274,552.43	0.2624%	693,852.18
037	Benson Police	854,571.54	851,578.86	220,359.45	249,308.66	2,175,818.51	1,087,909.26	0.0308%	81,389.18
038	Bisbee Police	1,392,935.97	1,300,381.05	363,456.87	412,131.78	3,468,905.67	1,734,452.84	0.0491%	129,758.70
039	Pima County Sheriff	88,051,448.65	87,153,314.94	9,162,609.58	9,360,222.85	193,727,596.02	96,863,798.01	2.7405%	7,246,619.99
040	Kingman Police	4,962,146.94	5,148,867.91	1,255,452.24	1,408,996.22	12,775,463.31	6,387,731.66	0.1807%	477,881.98
041	A.S.U. Campus Police	7,810,129.53	7,582,699.03	1,396,640.05	1,629,895.20	18,419,363.81	9,209,681.91	0.2606%	688,999.05

EARNINGS DISTRIBUTION - FISCAL YEAR ENDED JUNE 30, 2005

Sys No.	Employer System	Employer Reserve June 30, 2004	Employer Reserve June 30, 2005	Member Reserve June 30, 2004	Member Reserve June 30, 2005	Combined Reserves	Mean Balance	Factor	Investment Earnings
042	Lake Havasu Fire	12,331,193.65	12,748,061.48	2,891,233.32	3,054,329.77	31,024,818.22	15,512,409.11	0.4389%	1,160,521.64
043	Mohave Cnty Sheriff	8,541,873.96	8,123,190.29	2,001,436.52	2,052,251.77	20,718,752.54	10,359,376.27	0.2931%	775,010.53
044	Bullhead City Fire	7,728,952.49	8,061,584.37	1,712,101.88	1,969,394.33	19,472,033.07	9,736,016.54	0.2755%	728,375.45
045	U of A Campus Police	4,636,846.73	4,444,780.33	1,082,280.26	1,197,292.19	11,361,199.51	5,680,599.76	0.1607%	424,979.70
046	Cochise Cnty Sheriff	7,531,214.38	7,249,410.55	1,783,260.68	1,864,262.31	18,428,147.92	9,214,073.96	0.2607%	689,327.63
047	Safford Police	1,911,201.08	1,856,037.09	448,483.29	466,253.30	4,681,974.76	2,340,987.38	0.0662%	175,135.05
049	Drexel Heights Fire	3,229,818.99	3,605,823.79	1,470,007.95	1,703,081.27	10,008,732.00	5,004,366.00	0.1416%	374,388.98
050	Winslow Police	2,203,242.54	2,138,165.47	440,718.05	454,894.83	5,237,020.89	2,618,510.45	0.0741%	195,897.23
051	Payson Fire	1,459,027.22	1,607,114.23	571,636.17	665,069.79	4,302,847.41	2,151,423.71	0.0609%	160,953.32
052	Payson Police	2,496,650.52	2,636,381.70	880,105.56	939,429.25	6,952,567.03	3,476,283.52	0.0984%	260,069.36
053	Hualapai Valley Fire	755,933.34	1,030,238.81	302,440.63	387,709.14	2,476,321.92	1,238,160.96	0.0350%	92,629.88
054	Fry Fire	4,328,958.42	4,250,359.29	777,170.90	901,559.57	10,258,048.18	5,129,024.09	0.1451%	383,714.96
055	Fredonia Marshalls	162,132.12	177,902.66	46,656.83	46,434.84	433,126.45	216,563.23	0.0061%	16,201.63
056	N.A.U. Police	2,713,129.76	2,360,518.29	356,997.88	361,851.40	5,792,497.33	2,896,248.67	0.0819%	216,675.52
058	South Tucson Fire	1,093,463.88	954,498.90	263,780.13	250,369.93	2,562,112.84	1,281,056.42	0.0362%	95,839.00
059	Avondale Fire	1,878,214.91	2,175,235.86	951,877.41	1,177,597.74	6,182,925.92	3,091,462.96	0.0875%	231,279.98
060	Parker Police	955,571.30	967,350.00	235,730.45	255,423.69	2,414,075.44	1,207,037.72	0.0341%	90,301.47
061	Coconino Cnty Sheriff	7,616,464.45	7,507,800.42	1,703,685.10	1,690,701.84	18,518,651.81	9,259,325.91	0.2620%	692,713.04
062	Central Yavapai Fire	6,278,832.60	6,885,496.65	2,468,512.95	2,810,517.17	18,443,359.37	9,221,679.69	0.2609%	689,896.64
064	Buckskin Fire	1,183,444.93	1,111,884.60	133,490.42	155,630.21	2,584,450.16	1,292,225.08	0.0366%	96,674.55
065	Snowflake Police	582,200.36	600,833.63	206,870.15	245,075.53	1,634,979.67	817,489.84	0.0231%	61,158.43
066	Cottonwood Police	1,278,363.53	1,305,835.42	500,902.75	512,123.94	3,597,225.64	1,798,612.82	0.0509%	134,558.67
067	Lake Havasu Police	7,689,420.78	7,823,160.10	2,392,866.94	2,553,674.68	20,459,122.50	10,229,561.25	0.2894%	765,298.74
069	South Tucson Police	745,704.79	523,926.40	389,264.93	359,472.93	2,018,369.05	1,009,184.53	0.0286%	75,499.59
070	Apache Junction Police	5,356,636.69	5,249,642.80	1,975,492.75	1,703,862.36	14,285,634.60	7,142,817.30	0.2021%	534,371.81
071	Navajo County Sheriff	4,402,452.41	4,174,559.35	896,601.09	883,022.23	10,356,635.08	5,178,317.54	0.1465%	387,402.73
072	Mohave Valley Fire	1,136,352.75	1,231,372.69	436,147.51	483,175.05	3,287,048.00	1,643,524.00	0.0465%	122,956.09
073	Peoria Fire	9,909,300.52	10,885,372.27	3,880,023.79	4,386,665.03	29,061,361.61	14,530,680.81	0.4111%	1,087,076.12
074	Peoria Police	12,013,846.87	13,179,628.13	3,723,718.08	4,201,992.12	33,119,185.20	16,559,592.60	0.4685%	1,238,864.03
076	Paradise Valley Police	5,411,670.69	5,317,062.54	1,673,614.33	1,529,732.66	13,932,080.22	6,966,040.11	0.1971%	521,146.67
077	Willcox Police	849,830.24	847,039.94	201,767.40	181,141.10	2,079,778.68	1,039,889.34	0.0294%	77,796.69
078	Show Low Police	1,642,709.74	1,675,832.78	460,927.13	506,366.97	4,285,836.62	2,142,918.31	0.0606%	160,317.01
079	Eloy Police	1,462,298.59	1,605,415.44	752,998.92	804,282.32	4,624,995.27	2,312,497.64	0.0654%	173,003.66
080	Nogales Police	4,168,343.90	4,262,487.54	1,263,611.30	1,325,798.01	11,020,240.75	5,510,120.38	0.1559%	412,225.72
081	Gilbert Police	8,339,855.80	9,087,239.62	4,049,239.19	4,461,308.83	25,937,643.44	12,968,821.72	0.3669%	970,229.59
083	Clifton Police	297,671.80	328,921.09	60,783.59	34,615.75	721,992.23	360,996.12	0.0102%	27,007.01
085	Coolidge Police	1,765,734.73	1,831,717.98	584,764.51	672,711.74	4,854,928.96	2,427,464.48	0.0687%	181,604.61
086	Holbrook Police	1,578,508.78	1,445,835.87	353,783.52	275,627.92	3,653,756.09	1,826,878.05	0.0517%	136,673.26
087	Santa Cruz Cnty Deputy	2,298,906.72	2,328,880.50	851,069.04	939,943.12	6,418,799.38	3,209,399.69	0.0908%	240,103.12
088	Prescott Valley Police	1,947,782.00	2,441,182.95	930,615.49	1,201,739.80	6,521,320.24	3,260,660.12	0.0923%	243,938.04
089	Esagar Police	459,047.04	698,762.52	180,775.66	206,317.61	1,544,902.83	772,451.42	0.0219%	57,789.00

EARNINGS DISTRIBUTION - FISCAL YEAR ENDED JUNE 30, 2005

Sys No.	System	Employer Reserve June 30, 2004	Employer Reserve June 30, 2005	Member Reserve June 30, 2004	Member Reserve June 30, 2005	Combined Reserves	Mean Balance	Factor	Investment Earnings
090	Tolleson Police	1,586,682.47	1,558,149.26	373,827.02	460,046.10	3,978,704.85	1,989,352.43	0.0563%	148,828.37
091	Florence Police	1,071,004.19	1,084,143.35	274,656.93	328,629.13	2,758,433.60	1,379,216.80	0.0390%	103,182.62
092	Springerville Police	336,954.36	376,364.00	165,935.13	190,239.32	1,069,492.81	534,746.41	0.0151%	40,005.70
093	El Mirage Police	1,223,793.56	1,411,607.41	616,200.80	687,470.40	3,939,072.17	1,969,536.09	0.0557%	147,345.86
094	Superior Police	445,312.89	468,343.49	140,245.45	173,086.41	1,226,988.24	613,494.12	0.0174%	45,897.01
095	San Luis Police	1,041,696.86	1,156,642.25	430,507.02	501,748.86	3,130,594.99	1,565,297.50	0.0443%	117,103.77
096	Page Police	1,960,306.82	1,723,388.71	277,240.03	279,909.18	4,240,844.74	2,120,422.37	0.0600%	158,634.04
097	Page Fire	271,815.07	296,624.03	22,777.20	30,970.40	622,186.70	311,093.35	0.0088%	23,273.66
098	Yavapai Cnty Sheriff	7,436,232.58	7,549,189.81	2,601,731.18	2,797,856.49	20,385,010.06	10,192,505.03	0.2884%	762,526.48
099	Guadalupe Police	249,384.72	259,437.32	0.00	0.00	508,822.04	254,411.02	0.0072%	19,033.12
100	Pima Police	102,117.03	110,663.50	12,318.13	19,161.29	244,259.95	122,129.98	0.0035%	9,136.85
101	Apache Cnty Sheriff	1,873,153.64	1,871,509.52	734,253.48	797,301.62	5,276,218.26	2,638,109.13	0.0746%	197,363.46
102	Cottonwood Fire	639,349.93	764,462.40	329,541.04	255,722.64	1,989,076.01	994,538.01	0.0281%	74,403.84
103	La Paz Cnty Sheriff	2,902,104.55	2,898,824.22	871,044.10	972,780.71	7,644,753.58	3,822,376.79	0.1081%	285,961.45
104	Pinal Cnty Sheriff	13,466,541.75	13,769,740.47	3,351,515.63	3,717,002.75	34,304,800.60	17,152,400.30	0.4853%	1,283,213.43
105	Clarksdale Police	521,700.26	558,746.63	212,367.55	238,032.17	1,530,846.61	765,423.31	0.0217%	57,263.21
106	Buckeye Police	1,450,317.86	1,592,455.26	641,827.76	691,394.36	4,375,995.24	2,187,997.62	0.0619%	163,689.51
107	Marana Marshalls	3,144,844.81	3,362,700.30	1,266,075.93	1,476,610.46	9,250,231.50	4,625,115.75	0.1309%	346,016.33
108	Tolleson Fire	1,135,036.78	944,961.40	635,183.03	608,247.86	3,323,429.07	1,661,714.54	0.0470%	124,316.97
109	Chino Valley Police	988,341.67	1,098,464.93	517,759.80	649,306.41	3,253,872.81	1,626,936.41	0.0460%	121,715.13
110	Surprise Police	3,581,001.59	3,974,196.80	1,480,980.39	1,853,165.99	10,889,344.77	5,444,672.39	0.1540%	407,329.39
111	Welton Police	189,452.46	4,619.66	78,064.16	40,777.53	312,913.81	156,456.91	0.0044%	11,704.93
112	Gila Cnty Sheriff	3,407,674.08	3,386,501.50	957,277.77	1,066,691.87	8,818,145.22	4,409,072.61	0.1247%	329,853.61
113	Pinetop-Lakeside Police	1,148,183.23	1,180,492.63	201,114.05	267,762.65	2,797,552.56	1,398,776.28	0.0396%	104,645.91
114	Bullhead City Police	6,530,180.35	6,986,519.07	2,916,484.36	3,024,188.89	19,457,372.67	9,728,686.34	0.2752%	727,827.05
115	Williams Police	653,588.67	694,890.04	154,334.74	170,621.15	1,673,434.60	836,717.30	0.0237%	62,596.89
116	Miami Police	321,309.03	349,155.22	105,387.97	73,381.91	849,234.13	424,617.07	0.0120%	31,766.65
117	Thatcher Police	1,130,818.64	1,181,687.24	415,857.99	444,107.16	3,172,471.03	1,586,235.52	0.0449%	118,670.20
118	Youngtown Police	512,820.15	515,183.87	150,476.09	182,231.79	1,360,711.90	680,355.95	0.0192%	50,899.11
119	D.E.M.A.	2,667,487.25	2,809,690.23	931,947.37	1,056,589.61	7,465,714.46	3,732,857.23	0.1056%	279,264.27
120	Surprise Fire	2,649,989.94	3,039,023.10	1,408,400.08	1,710,765.84	8,808,178.96	4,404,089.48	0.1246%	329,480.81
121	Camp Verde Marshalls	820,245.79	858,670.79	280,749.51	322,686.51	2,282,352.60	1,141,176.30	0.0323%	85,374.22
122	Oro Valley Police	4,410,405.52	5,144,545.11	2,252,739.60	2,415,312.97	14,223,003.20	7,111,501.60	0.2012%	532,029.00
123	Greenlee Cnty Sheriff	1,206,961.53	1,225,022.21	383,138.75	406,736.26	3,221,858.75	1,610,929.38	0.0456%	120,517.61
124	Tucson Airprt Auth. Fire	3,387,803.27	3,416,576.85	928,721.92	1,087,525.77	8,820,627.81	4,410,313.91	0.1248%	329,946.48
125	Tucson Airprt Auth. PD	2,492,638.72	2,357,777.63	749,080.86	767,986.92	6,367,484.13	3,183,742.07	0.0901%	238,183.61
126	Wickenburg Police	635,412.05	695,944.96	293,017.65	340,984.09	1,965,358.75	982,679.38	0.0278%	73,516.67
127	El Mirage fire	678,559.81	818,800.09	215,706.44	285,136.23	1,998,202.57	999,101.29	0.0283%	74,745.23
128	Patagonia Marshall	253,351.98	263,994.40	70,575.47	71,316.48	659,238.33	329,619.17	0.0093%	24,659.62
129	Sedona Police	1,228,373.19	1,416,179.89	546,217.32	663,352.27	3,854,122.67	1,927,061.34	0.0545%	144,168.22
130	Mammoth Police	(12,698.01)	18,496.29	72,674.96	102,403.20	180,876.44	90,438.22	0.0026%	6,765.91

EARNINGS DISTRIBUTION - FISCAL YEAR ENDED JUNE 30, 2005

Sys No.	System	Employer Reserve June 30, 2004	Employer Reserve June 30, 2005	Member Reserve June 30, 2004	Member Reserve June 30, 2005	Combined Reserves	Mean Balance	Factor	Investment Earnings
131	Globe Police	1,609,480.51	1,676,094.56	567,602.04	572,821.44	4,425,998.55	2,212,999.28	0.0626%	165,559.94
132	Tombstone Police	262,478.66	231,250.66	137,543.41	111,338.06	742,610.79	371,305.40	0.0105%	27,778.27
133	Golder Ranch Fire Dist.	2,783,512.91	3,452,412.35	1,375,404.06	1,699,000.29	9,310,329.61	4,655,164.81	0.1317%	348,264.38
134	Fort Mohave Mesa Fire	1,895,607.74	2,059,656.82	789,231.61	855,533.62	5,600,029.79	2,800,014.90	0.0792%	209,476.03
136	Goodyear Fire	1,808,130.37	1,944,449.27	1,072,679.48	1,352,284.48	6,177,543.60	3,088,771.80	0.0874%	231,078.65
137	Goodyear Police	2,788,305.00	3,126,264.14	1,248,644.30	1,529,862.11	8,693,075.55	4,346,537.78	0.1230%	325,175.23
138	Chino Valley Fire Dist.	1,084,040.12	1,282,002.71	525,555.39	607,941.86	3,499,540.08	1,749,770.04	0.0495%	130,904.62
139	Avondale Police	2,992,347.44	3,631,860.94	1,440,649.85	1,679,940.90	9,744,799.13	4,872,399.57	0.1379%	364,516.25
140	Graham Cnty Sheriff	819,108.83	778,928.10	320,589.30	352,871.69	2,271,497.92	1,135,748.96	0.0321%	84,968.19
142	Golden Valley Fire	861,352.30	906,817.83	312,712.53	328,525.09	2,409,407.75	1,204,703.88	0.0341%	90,126.87
143	Daisy Mountain Fire	1,177,409.83	1,757,186.72	760,612.35	1,043,069.50	4,738,278.40	2,369,139.20	0.0670%	177,241.16
144	Quartzsite Marshall	393,075.90	455,844.92	208,158.63	244,581.19	1,301,660.64	650,830.32	0.0184%	48,690.22
145	Picturerock Fire	706,238.14	954,168.92	279,693.06	298,664.41	2,238,764.53	1,119,382.27	0.0317%	83,743.75
146	Pima Cmmty Coll. PD	2,248,022.91	2,274,846.34	855,925.81	889,787.26	6,268,582.32	3,134,291.16	0.0887%	234,484.06
147	Northwest Fire	7,274,940.11	7,919,411.33	3,042,168.77	3,448,760.19	21,685,280.40	10,842,640.20	0.3068%	811,164.70
148	Apache Junction Fire	3,821,272.70	4,669,954.44	1,904,064.42	2,214,849.35	12,610,140.91	6,305,070.46	0.1784%	471,697.89
149	Gilbert Fire	4,110,887.81	3,786,807.18	2,217,855.58	2,682,009.62	12,797,560.19	6,398,780.10	0.1810%	478,708.54
150	Pine-Strawberry Fire	896,416.30	1,027,018.79	326,364.42	388,479.93	2,638,279.44	1,319,139.72	0.0373%	98,688.10
151	Attrny Genrl Investgtr	4,908,565.17	4,803,657.47	1,226,147.55	1,219,175.42	12,157,545.61	6,078,772.81	0.1720%	454,768.01
153	St. Johns Police	160,954.47	196,860.86	115,658.11	140,557.80	614,031.24	307,015.62	0.0087%	22,968.60
154	Pima Cnty Attrny Invst	925,288.12	894,083.25	217,372.25	217,114.64	2,253,858.26	1,126,929.13	0.0319%	84,308.35
155	Sun Lakes Fire Dist.	2,278,225.64	2,476,666.77	896,864.56	1,072,814.05	6,724,571.02	3,362,285.51	0.0951%	251,540.88
156	Kearny Police	136,531.63	590,852.51	29,018.21	126,651.95	883,054.30	441,527.15	0.0125%	33,031.74
157	Greenlee Cnty Atny Invst	22,862.22	23,783.79	0.00	0.00	46,646.01	23,323.01	0.0007%	1,744.85
158	Navajo Cnty Attrny Invest	123,682.88	176,924.49	46,690.83	123.30	347,421.50	173,710.75	0.0049%	12,995.73
160	AZ State Capitol Police	1,024,894.79	1,213,084.63	463,231.53	561,916.82	3,263,127.77	1,631,563.89	0.0462%	122,061.32
161	Fountain Hills Marshall	(94,442.71)	(93,411.44)	0.00	0.00	-187,854.15	-93,927.08	-0.0027%	(7,026.92)
162	Avra Valley Fire	529,324.44	581,754.60	170,969.43	206,032.92	1,488,081.39	744,040.70	0.0211%	55,663.52
163	San Luis Fire	471,519.73	535,400.73	246,713.28	286,820.67	1,540,454.41	770,227.21	0.0218%	57,622.60
164	AZ Dept. of Liquor/Licns	1,592,666.04	1,934,548.22	558,904.82	670,976.25	4,757,095.33	2,378,547.67	0.0673%	177,945.03
165	Maricopa Cnty Attrny Invst	3,031,828.88	2,925,960.45	603,854.20	557,647.01	7,119,290.54	3,559,645.27	0.1007%	266,305.86
166	Sedona Fire District	2,889,723.22	3,559,949.39	1,355,413.40	1,336,745.99	9,141,832.00	4,570,916.00	0.1293%	341,961.52
167	Guadalupe Fire	232,061.55	278,835.13	173,667.45	203,863.25	888,427.38	444,213.69	0.0126%	33,232.72
168	Mayer Fire District	470,071.19	446,859.17	225,296.20	209,387.11	1,351,613.67	675,806.84	0.0191%	50,558.78
169	Somerton Police	491,004.84	531,103.46	224,940.01	248,836.32	1,495,884.63	747,942.32	0.0212%	55,955.41
170	SunCity West Fire Dstrct	3,074,437.53	3,680,591.60	1,454,529.23	1,614,881.14	9,824,439.50	4,912,219.75	0.1390%	367,495.29
171	Somerton Fire	159,698.93	236,455.04	132,543.07	185,237.23	713,934.27	356,967.14	0.0101%	26,705.59
172	Tubac Fire District	518,704.43	617,745.39	258,234.32	316,897.10	1,711,581.24	855,790.62	0.0242%	64,023.81
173	LaPaz Cnty Attrny Invst	67,619.64	74,330.74	38,024.65	41,648.87	221,623.90	110,811.95	0.0031%	8,290.12
174	Sahuarita Police	349,342.80	539,260.60	211,953.04	325,611.18	1,426,167.62	713,083.81	0.0202%	53,347.56
176	Florence Fire Dept	177,707.69	216,016.94	110,376.18	92,843.11	596,943.92	298,471.96	0.0084%	22,329.42

EARNINGS DISTRIBUTION - FISCAL YEAR ENDED JUNE 30, 2005

Sys No.	System	Employer Reserve June 30, 2004	Employer Reserve June 30, 2005	Member Reserve June 30, 2004	Member Reserve June 30, 2005	Combined Reserves	Mean Balance	Factor	Investment Earnings
177	Sun City Fire Dept	3,902,648.77	4,815,461.07	4,198,617.14	4,481,678.26	17,398,405.24	8,699,202.62	0.2461%	650,808.84
178	Hayden Police	85,890.16	93,476.97	48,767.65	35,278.18	263,412.96	131,706.48	0.0037%	9,853.29
179	Gila River Fire Dept	1,329,338.03	1,533,790.91	942,618.43	1,059,071.06	4,864,818.43	2,432,409.22	0.0688%	181,974.54
180	Gila River Police Dept	1,335,739.60	1,710,238.01	829,087.28	1,081,250.86	4,956,315.75	2,478,157.88	0.0701%	185,397.11
181	SaltRiverPima-MaricpFire	2,111,013.15	2,577,505.80	1,013,866.92	1,287,898.56	6,990,284.43	3,495,142.22	0.0989%	261,480.22
182	SaltRiverPima-MaricpPD	1,468,797.96	1,838,801.69	953,751.95	1,195,424.72	5,456,776.32	2,728,388.16	0.0772%	204,117.46
183	Lakeside Fire District	220,011.90	302,621.20	126,688.97	166,138.75	815,460.82	407,730.41	0.0115%	30,503.32
185	Pinetop Fire District	467,257.60	661,859.45	248,055.43	304,448.69	1,681,621.17	840,810.59	0.0238%	62,903.12
186	Show Low Fire District	571,240.22	514,516.25	177,894.43	198,703.47	1,462,354.37	731,177.19	0.0207%	54,701.17
187	Yavapai Cnty Attnry Inv.	155,428.24	237,266.52	68,569.31	72,700.33	533,964.40	266,982.20	0.0076%	19,973.60
188	Three Points Fire District	162,611.36	354,170.02	90,015.56	165,083.77	771,880.71	385,940.36	0.0109%	28,873.15
190	Buckeye Fire	458,859.63	1,121,683.60	239,474.78	517,189.57	2,337,207.58	1,168,603.79	0.0331%	87,426.14
191	Montezuma/Rimrock	144,729.47	201,499.79	79,947.65	107,763.64	533,940.55	266,970.28	0.0076%	19,972.71
192	Heber-Overgaard Fire	132,807.78	165,485.38	71,421.59	100,643.75	470,358.50	235,179.25	0.0067%	17,594.34
193	Diamond Star Fire	115,328.42	156,119.21	59,506.28	76,703.72	407,657.63	203,828.82	0.0058%	15,248.94
194	Green Valley Fire	1,971,501.83	2,365,941.63	556,609.34	744,272.31	5,638,325.11	2,819,162.56	0.0798%	210,908.51
195	Summit Fire	831,762.92	983,598.61	356,205.15	432,733.50	2,604,300.18	1,302,150.09	0.0368%	97,417.06
196	Camp Verde Fire	425,113.88	594,922.21	164,472.65	213,715.76	1,398,224.50	699,112.25	0.0198%	52,302.31
197	Fort McDowell Fire	672,874.37	475,793.55	204,655.19	206,382.35	1,559,705.46	779,852.73	0.0221%	58,342.71
198	Fort McDowell Police	490,578.62	602,764.33	234,485.14	314,929.23	1,642,757.32	821,378.66	0.0232%	61,449.37
199	Highlands Fire	579,117.29	767,093.48	224,986.59	293,331.05	1,864,528.41	932,264.21	0.0264%	69,744.99
200	Rio Rico Fire	145,939.69	242,313.58	84,510.36	138,980.33	611,743.96	305,871.98	0.0087%	22,883.04
201	Tri-City Fire	104,964.69	166,319.15	60,040.41	92,910.73	424,234.98	212,117.49	0.0060%	15,869.03
202	Maricopa Park Rangers	633,614.76	622,243.00	226,787.99	235,159.05	1,717,804.80	858,902.40	0.0243%	64,256.61
203	Verde Valley Fire	1,379,535.96	1,492,579.84	458,235.26	534,210.36	3,864,561.42	1,932,280.71	0.0547%	144,558.69
204	Arizona State Park Rangers	2,543,721.65	2,881,330.13	1,644,466.59	1,775,264.81	8,844,783.18	4,422,391.59	0.1251%	330,850.04
205	Linden Fire	73,439.20	95,526.60	28,771.23	34,448.95	232,185.98	116,092.99	0.0033%	8,685.20
206	Hualapai Tribal Police	26,873.11	62,048.53	24,084.58	54,263.50	167,269.72	83,634.86	0.0024%	6,256.93
207	Pinewood Fire	369,593.25	450,711.13	34,528.22	60,441.11	915,273.71	457,636.86	0.0129%	34,236.94
208	Rincon Valley Fire	102,281.89	192,878.36	39,512.53	79,114.36	413,787.14	206,893.57	0.0059%	15,478.22
209	Tonopah Fire	41,809.37	55,888.07	21,322.62	31,039.12	150,059.18	75,029.59	0.0021%	5,613.15
210	Jerome Police	7,970.94	21,623.44	4,264.22	12,141.32	45,999.92	22,999.96	0.0007%	1,720.68
211	Fort Mojave Tribal Police	50,289.00	144,739.34	28,121.55	70,090.97	293,240.86	146,620.43	0.0041%	10,969.04
212	Buckey Valley Fire	338,490.10	600,366.39	24,189.85	124,679.62	1,087,725.96	543,862.98	0.0154%	40,687.73
213	Eloy Fire	19,952.55	103,862.27	8,889.77	46,028.50	178,733.09	89,366.55	0.0025%	6,685.73
214	Pascua Yaqui Tribal Police	6,144.39	175,761.19	3,012.71	85,207.97	270,126.26	135,063.13	0.0038%	10,104.41
215	Pascua Yaqui Tribal Fire	6,452.32	201,169.47	3,597.02	124,855.01	336,073.82	168,036.91	0.0048%	12,571.25
216	Town of Superior Fire	0.00	31,143.47	0.00	14,304.93	45,448.40	22,724.20	0.0006%	1,700.04
217	Wickenburg Fire	0.00	5,700.34	0.00	4,803.09	10,503.43	5,251.72	0.0001%	392.88
218	Carefree Town Marshals	0.00	13,174.20	0.00	10,406.29	23,580.49	11,790.25	0.0003%	882.05
219	Black Canyon Fire District	0.00	32,734.15	0.00	20,405.54	53,139.69	26,569.85	0.0008%	1,987.75

EARNINGS DISTRIBUTION - FISCAL YEAR ENDED JUNE 30, 2005

Sys No.	System	Employer Reserve June 30, 2004	Employer Reserve June 30, 2005	Member Reserve June 30, 2004	Member Reserve June 30, 2005	Combined Reserves	Mean Balance	Factor	Investment Earnings
220	Graham Cnty Attny Invst	0.00	100,654.60	0.00	33,689.02	134,343.62	67,171.81	0.0019%	5,025.28
221	Quartzsite Fire	0.00	16,822.83	0.00	9,400.60	26,223.43	13,111.72	0.0004%	980.91
222	Rio Verde Fire	0.00	75,635.73	0.00	67,388.55	143,024.28	71,512.14	0.0020%	5,349.99
223	Scottsdale Fire	0.00	1,284,376.13	0.00	377,483.21	1,661,859.34	830,929.67	0.0235%	62,163.89
224	Ak Chin Indian Comm. Fire	0.00	1,265,766.64	0.00	11,859.04	1,277,625.68	638,812.84	0.0181%	47,791.17
225	Ak Chin Indian Comm. Police	0.00	599,606.89	0.00	8,284.55	607,891.44	303,945.72	0.0086%	22,738.93
TOTALS		2,907,129,259.51	2,923,744,801.33	594,479,065.00	643,712,464.56	7,069,065,590.40	3,534,532,795.20	100.0000%	264,427,128.81

SUMMARY OF GROWTH OF THE SYSTEM

Listed below is a table setting forth the growth of the System in some of the major areas since it was started July 1, 1968.

Fiscal Year	Total Assets at Book	Realized Earnings from Investments	Assumed Actuarial Yield	Net Effective Yield	Average Employer Cost
1968-69	\$ 38,892,316	\$ 2,034,246	5.50%	5.93%	—
1969-70	\$ 45,368,608	\$ 2,199,532	5.50%	5.33%	14.49%
1970-71	\$ 53,436,024	\$ 2,762,000	5.50%	5.66%	15.28%
1971-72	\$ 65,047,747	\$ 4,242,551	5.50%	7.33%	15.58%
1972-73 ¹	\$ 84,362,537	\$ 5,297,962	5.50%	7.30%	22.13%
1973-74	\$ 107,645,740	\$ 7,505,558	5.50%	8.07%	21.62%
1974-75	\$ 135,240,197	\$ 9,206,170	5.50%	7.85%	20.79%
1975-76 ²	\$ 166,054,317	\$ 11,453,347	6.50%	7.87%	20.24%
1976-77 ²	\$ 198,469,142	\$ 13,563,347	6.50%	7.70%	16.37%
1977-78 ²	\$ 234,790,742	\$ 16,463,161	6.50%	8.07%	15.34%
1978-79 ²	\$ 276,477,938	\$ 20,545,314	7.00%	8.36%	15.62%
1979-80	\$ 323,768,207	\$ 26,648,270	7.50%	9.23%	13.46%
1980-81 ²	\$ 380,187,981	\$ 33,507,824	7.50%	10.02%	12.28%
1981-82	\$ 446,521,727	\$ 42,444,841	8.50%	10.85%	11.86%
1982-83 ³	\$ 519,164,091	\$ 50,436,554	8.50%	11.05%	10.61%
1983-84 ²	\$ 599,947,817	\$ 57,911,781	9.00%	10.94%	10.10%
1984-85 ²	\$ 693,159,911	\$ 72,204,630	9.00%	11.85%	9.16%
1985-86 ²	\$ 816,881,983	\$ 103,855,044	9.00%	14.79%	7.87%
1986-87 ²	\$ 930,734,209	\$ 91,102,340	9.00%	11.01%	7.67%
1987-88	\$ 1,048,036,360	\$ 99,543,634	9.00%	10.60%	6.67%
1988-89 ³	\$ 1,172,200,963	\$ 106,249,997	9.00%	10.06%	7.18%
1989-90	\$ 1,305,872,179	\$ 123,320,968	9.00%	10.48%	6.72%
1990-91 ³	\$ 1,448,675,091	\$ 134,468,900	9.00%	10.23%	7.01%
1991-92 ⁴	\$ 1,616,623,400	\$ 158,382,801	9.00%	10.90%	8.10%
1992-93	\$ 1,793,717,029	\$ 173,241,734	9.00%	10.70%	8.73%
1993-94	\$ 1,959,179,925	\$ 167,558,270	9.00%	9.35%	8.16%
1994-95	\$ 2,148,732,676	\$ 199,847,113	9.00%	10.23%	7.66%
1995-96	\$ 2,367,494,985	\$ 226,292,201	9.00%	10.55%	7.85%
1996-97	\$ 2,615,893,843	\$ 261,392,961	9.00%	11.07%	8.11%
1997-98	\$ 2,894,319,707	\$ 305,281,778	9.00%	11.73%	6.36%
1998-99	\$ 3,512,950,451	\$ 652,015,871	9.00%	22.66%	5.82%
1999-00	\$ 3,845,046,198	\$ 383,638,465	9.00%	10.99%	5.29%
2000-01	\$ 4,014,033,477	\$ 229,978,521	9.00%	6.02%	5.21%
2001-02	\$ 4,038,098,811	\$ 95,669,176	9.00%	2.40%	4.21%
2002-03	\$ 3,580,672,469	\$ (359,783,581)	9.00%	-9.01%	3.75%
2003-04	\$ 3,639,362,740	\$ 144,657,402	9.00%	4.08%	7.66%
2004-05	\$ 3,820,166,058	\$ 266,719,194	8.75%	7.41%	10.05%
2005-06			8.50%		12.80%
2006-07 ⁶					17.09%

1. Plan was changed from 25 years and age 55 to 20 years at any age.

2. One-time cost-of-living adjustments for retired members and survivors, effective July 1 were included in this valuation. Future increases for retirees and their survivors over age fifty-five are dependent upon excess earnings created by the Fund.

3. Significant benefit changes were enacted by the 1983 Legislature, the 1987 Legislature and the 1989 Legislature, respectively.

4. Employer contribution rate reflects the greatly-increased utilization of health insurance subsidies enacted by the 1988 and 1989 Legislature.

5. A detailed Schedule of Revenues by Source and Expenses by Type can be found in the Statistical Section.

6. The average employer cost calculated by the actuary is based on valuation payroll that does not include DROP participants. If DROP was included in the valuation payroll, the average employer cost calculation would have been 15.26%